



VILLAGE OF ZEBALLOS

2017 Annual Report

For The Fiscal Year Ending December 31, 2016



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MAYOR'S MESSAGE

A warm hello to everyone.

It's really hard not to say it, but I'll say it anyway, ANOTHER YEAR HAS GONE BY! I don't know if you have noticed it or thought about it, but this little estuary town of ours is a beehive of activity this year.

Let's start with the water front. The commercial fisheries have been very busy for the past several months, wharves have been full to capacity, boats in and out, fish haulers in and out, and most importantly a major source of employment. The sports fishing sector is now in full swing. It is also a vital component to our town's sustainability, and don't forget about the service providers that go along with it: ice, fuel, and groceries to name a few.

I wish I could tell you to put on your hiking boots or start up your quad and head over to Tahsis but maybe this time next year. But seriously, our Trail Project is moving forward. We secured grant funding for design and engineering services and that contract will be let out this summer.

Our new bridge is starting to take shape, thanks to the efforts of so many. From those that plead for the funding, those that doled it out, those that oversee and those who have boots on the ground. I realize that there have been some inconveniences to some during the Bridge Replacement Project but the good news is that our new bridge is expected to be up and running by the end of September. It is going to be a beauty.

After decades of sitting idle there is some serious exploration work taking place at the Privateer Mine site. Let's hope that there is some gold in them thar old hills. There is a significant amount of timber harvesting in this area presently. I wish that I could say that it does the town a lot of good, very little of it sticks, but Council is still actively pursuing a Community Forest Agreement for the Village of Zeballos.

THE ROAD, oh the road, we wear it out just talking about it but finally there is a glimmer of hope for improvements. Council and our First Nations neighbours never let up on expressing our concerns and exasperations as to the poor conditions of the Zeballos Forest Service road to varying government agencies. With guarded optimism, we look forward to sharing some good news with you in the near future. It may also be to our advantage that the newly appointed Minister of Highways and Transportation is our very own North Island MLA.

Thank you to all that live here, visit here, and work here. It is such a beautiful place and should be treated as such.



INTRODUCTION TO ZEBALLOS — A TINY PARADISE

Zeballos has an amazing history of gold mining in the 1930s and 40s, iron mining in the 60s and logging operations currently. What was once a booming gold mining area with a population of 2,000, has now become the smallest municipality in BC with a current population of 107.

Nestled in a deep valley, and sheltered from marine storms, Zeballos is the jewel of the North West Coast of Vancouver Island with our vistas of "mountain meeting ocean" is a great place to "turn off" and "unplug". Enjoy the opportunity to breathe the clean air and listen to the wind in the mountains and the eagles giggling and whistling nearby. The proximity of wildlife, outdoor recreation and historical images make this quiet, restful village a great place to live and to visit.

Zeballos has historically had a resource-based economic driver. Unfortunately, times have changed and economic sustainability must be found elsewhere. Many resource towns have experienced this phenomenon and the need to diversify is plain to see. The abundance of wildlife including whales, seals, spawning salmon and various waterfowl as well as bears, cougars and elk are a draw to the tourist. Sport fishing, diving, kayaking and caving opportunities are abundant. The adventures start with a left turn at signpost 320km on Highway 19, the longest driveway in BC.

Your Village Council and staff are well aware of both the opportunities and the challenges of living in such a remote community. Council is always on the search for funding solutions through grants and innovative solutions to financial issues. Municipalities across BC are suffering as infrastructures fails. Council is committed to tackle the issues head on and in the most fiscally responsible way possible.



Figure 1: Mayor and Council 2016
Barb Lewis, Jeff Coburn, Julie Colborne, Mayor Donnie Cox and Candace Faulkner

MUNICIPAL SERVICES & OPERATIONS SUMMARY FOR 2016

1. Executive

Mayor Donnie Cox lead his Council in 2016 with a dedicated principle of democracy and doing 'right' by the Village. Councillors Jeff Coburn and Julie Colborne maintained stability at the Council table which weathered two by-elections during the course of the year. Candace Faulkner joined the table in February and Barb Lewis rounded out the five member team in November.



Figure 2: Sugarloaf Bridge

The goals and objectives they set for themselves kept them busy and focused. The 2016 year saw improvements in lobbying efforts and raising our profile to the provincial funding authorities with the satisfying result of receiving 100% funding for our Sugarloaf Bridge Replacement Project through the UBCM Gas Tax Program, Strategic Priorities Fund (Figure 2).

2. Administration

The Management Staff worked diligently to bring another balanced budget to Council. The in-house tax notices continue to improve annually. Meeting legislative reporting deadlines is always demanding and often take the focus of all staff. At other times, the day to day operations settle into a routine in a pleasant atmosphere. Meredith Starkey joined the Village as Administrative Assistant in February. In 2016, local resident and artist Patricia Murdoch was commissioned to design a new Village office sign (Figure 3).



Figure 3: New Village Office Sign Installed

3. Recreation Department



Figure 4: Halloween Party at the Community Hall

Zeballos Community Hall

The Community Hall is an inviting, warm and cozy place to meet with others. It provides opportunities for indoor recreation in our community. In October, there was the ever popular Halloween family event hosted by our neighbours, Ehattesaht First Nation (Figure 4). In December we enjoyed comedian Kenny Shaw who helped us roast retiring Fire Chief Mike Atchison.

Zeballos Museum

The Zeballos Museum, bursting with artifacts donated by current and past residents, is a favourite stop for many visitors. One can get a glimpse of the early days of Vancouver Island's only gold rush, our iron mining, and logging industries. The Museum is open during the winter months on an on-call basis, and during the summer months it has a part-time host with regular hours.

In 2016 the front porch was rebuilt and the skirting was repaired and painted. The museum host for 2016 welcomed many visitors with a smile.

Zeballos Library

The Zeballos Library is a gathering place for residents to exchange books and chat. Longtime volunteer Joanne Parkman left the community in 2016, and Al Carruthers stepped in to turn the page to a new chapter in the life of the library.

4. Protective Services

With the addition of a new engine in 2014, the Zeballos Volunteer Fire Department has a fleet consisting of two pumper trucks and one search and rescue truck equipped with an extrication tool. Efforts to improve our emergency preparedness continue as we secured a new evacuation site for the east side of the Zeballos River.

Personnel changes at the ZVFD saw Fire Chief Mike Atchison retire in October and Deputy Chief Armin Grunert step up to the plate as Acting Chief (Figure 5). The fire department is small, with four active members at the end of the year.



Figure 5: Retiring Fire Chief Mike Atchison

5. Public Works Department

The public works department had many challenges during 2016. Shawn McCarrick was a welcome addition to the team in April. It is a never ending job to keep the grass cut, solid waste picked up, water flowing, and buildings in good repair.



Figure 6: RV Park Landscaping Improvements

Garbage Services

We were fortunate to secure a new-to-us garbage truck in the spring, which was very well used in the course of the year.

Water Services

Despite the limited budget, the water reservoir and airplane dock were inspected. Ongoing repairs are being carried out at the municipal dock.

Village Gardens

This year's gardening improvements included white rock at the RV Park gardens (Figure 6), and continued pruning, weeding and watering to keep the Village looking presentable and pleasing.

APPENDIX I: ANNUAL PROGRESS REPORT AND STATEMENT OF MAJOR PROJECTS

2015	STATEMENT OF OBJECTIVES Prepared 2015	STRATEGIES/ACTIONS Implemented 2015	MEASURES & OUTCOMES Collect Data 2016	REPORT Submit 2017
COUNCIL / ADMINISTRATION	Official Community Plan	Research facilitator funding to have update completed	In-house planner secured during vacancy search	OCP review underway
	Bylaw Adherence	Continue to negotiate with violators	Reduced number of violations and letters sent	Ongoing
		Council education on enforcement	CVRD bylaw enforcement officer to Zeballos for discussions	Ongoing
	Board of Variance	Establish board with community members	Active board maintained	Ongoing
		Application received, heard and ruled	Monitor number of hearings (2 to date)	Ongoing
	Improve And Expand Online Presence	Bring website maintenance in house	Included in 2016 budget for makeover	Complete
			Monitor number of bylaws on website (10 to date)	Ongoing
PUBLIC ENGAGEMENT	Encourage Recycling	Improved sorts and facilities	monitoring increased usage; number of trips for pickup	Ongoing
		Educators to visit Zeballos	response to invitation; school visit in 2015	Complete
	Policy And Bylaws	Continue to review and update	Board of variance sittings; animal control bylaw; number of bylaws reviewed; schedule of outdated bylaws for review	Ongoing

2015	STATEMENT OF OBJECTIVES Prepared 2015	STRATEGIES/ACTIONS Implemented 2015	MEASURES & OUTCOMES Collect Data 2016	REPORT Submit 2017	
PUBLIC SAFETY	Continue To Advocate For Public Safety On ALL Roadways	Continue to engage all parties (federal, provincial, first nation and municipal) to collaborate and seek increased road improvements	Improve signage	Ongoing	
			Resolution for Road Maintenance Funding thru AVICC to UBCM forum	meet with Ministers at UBCM in 2017	
			RFP for Sugarloaf Bridge Project Manager	complete	
		New format for Road Advisory Group	number of meetings along with results	no activity	
	Improve Emergency Preparedness	Support ongoing training for ESS include ZVFD in trailing	Send Mayor and Councillors to more training	Monitor with # of people trained (2 sessions)	Ongoing
				Monitor # of FD training units completed	
			Increased attendance to training sessions	Ongoing	
			Budget item; included in budget discussions	Complete	
			Quotes gathered; funding research results; UBCM item	Partnership with Ehatis to secure a pole for their siren acquisition	

PUBLIC WORKS	Reduce Flooding In Residential Areas	ABC Creek long term repairs	Design complete, easements issued; mapping improved, investigate options	Ongoing
	Preserve The Integrity Of All Public Buildings	Maintenance program to include one side per year for each building wherever possible	Public Works manual with checklists; VO west complete; RV Washroom	Ongoing

2015	STATEMENT OF OBJECTIVES Prepared 2015	STRATEGIES/ACTIONS Implemented 2015	MEASURES & OUTCOMES Collect Data 2016	REPORT Submit 2017
RECREATION / CULTURE	Encourage Recreation And Trails In The Area	Work with Ehatis First Nation and Village of Tahsis and BC Hydro toward a connecting trail	Monitor CUT participation re: # of meetings, progress in plan; Engineering design grant application submitted	Ongoing
		Accept Canadian Rangers commitment to assist with trail maintenance	Ongoing correspondence	Ongoing
	Beautification Of Village Owned Properties	Enlarge and Improve Appearance of Cemetery	Lima report- next steps and timelines; gardener engaged	Ongoing
		Work with property owners to comply with the unsightly premises bylaw	Continue w letters; spring cleanup; continue communications and lead by example	Ongoing
		Hire a seasonal gardener for village properties	Continue funding	Ongoing

2016	STATEMENT OF OBJECTIVES Prepared 2016	STRATEGIES/ACTIONS Implemented 2016	MEASURES & OUTCOMES Collect Data 2017	REPORT Submit 2018
COUNCIL / ADMINISTRATION	OCP Review	Conduct an inventory of environmentally sensitive areas	Investigate what term "environmentally sensitive" means re: authority and regulations; surveys, goals and amendment drafts	
	Policy And Bylaws	Adopt contaminated site policy	Policy adopted and reviewed annually	
		Adopt Fire Play Book policy	Policy adopted; Seek expertise on implementation; comparative case study analysis of other local governments	
		Prepare asset management plan	Secure funds; Engage consultant; monitor progress	
	Increase Economic Stability	Research requirements for industrial site/ transfer station	CSWM report delayed timing of transfer station; apply OCP research on "environmentally sensitive" areas	
		Foster relationships with First Nations communities, continued communications	Ehatis protocol renewal; Sewer expansion cooperation	
			Nuchatlaht protocol renewal	
POLICING	Maintain RCMP Presence	Scheduled annual meetings	Invite Staff Sergeant to address Council	
		Continue to lobby for regular police presence	Monitor stats provided on Quarterly reports	

2016	STATEMENT OF OBJECTIVES Prepared 2016	STRATEGIES/ACTIONS Implemented 2016	MEASURES & OUTCOMES Collect Data 2017	REPORT Submit 2018
RECREATION / CULTURE	Beautification Of Village Owned Properties	Spring cleanup and free dump days	Monitor tipping loads, general appearance of tidiness and comments from public	
		Contractual gardener position	Monitor available budget and garden attractiveness	

PUBLIC SAFETY	Dock Repair	Inspect and repair anchors at seaplane dock	Monitor inspection dates and repair work completed	
		Repair access ramps at seaplane dock and municipal dock	Welder hired; supplies ordered	Complete
	Bridge Project	Secure project manager, complete pre-design phase	Monitor contracts and funding; current status-construction underway	
	Fire Safety	Annual inspections and follow thru of results	Monitor annual inspection dates and resulting reports	
		Continue training of ZVFD members	Training modules complete	
		Continue recruitment of ZVFD members	Advertising in Village Voice; OCP review	
	Road Safety And Maintenance	Road naming for 9-1-1	Request name suggestions from Ehatis	
		Increased signing	Stop sign at FSR Zeb at old town bridge	
		Lot 501	Grading, PW marking pooled water with a pylon	
	Attract Emergency Program Coordinator	Advertising and education	Secured volunteer candidate	
		Secure budget line item	Include in 2017 Budget	
	Tsunami Siren	UBCM lobbying	Monitor UBCM meetings	

2016	STATEMENT OF OBJECTIVES Prepared 2016	STRATEGIES/ACTIONS Implemented 2016	MEASURES & OUTCOMES Collect Data 2017	REPORT Submit 2018
PUBLIC WORKS	Maintain A Secure Water System	Reservoir inspection and clean out	Completed in 2016; no clean out required	
	Maintain A Secure Sewer System	Research, fund and complete upgrades to lift stations	Quotes secured; monitor budget for funding	
	Preserve The Integrity Of All Public Buildings	Repair Museum Porch and Complete Addition	Monitor work schedule and available budget	
		Continue maintenance program of one side per year of village buildings	Monitor work schedule and available budget; west Village Office and waterfront washrooms completed	
	Adherence to Public Works manual	Monitor monthly and annual asset checks		

2017	STATEMENT OF OBJECTIVES Prepared 2017	STRATEGIES/ACTIONS Implemented 2017	MEASURES & OUTCOMES Collect Data 2018	REPORT Submit 2019
ALL DEPARTMENTS	Improve Community Appearance	Village properties are well maintained to a consistent standard and usage tracked		
		Museum Expansion		
COUNCIL / ADMINISTRATION	OCP Review	Hire Village Office help to free up Meredith for OCP work		
		Community Engagement		
		Public Engagement (including feedback on bylaw enforcement)		
POLICING	Increased Presence In Visibility As Well As Availability	Scheduled annual meetings		
		Continued communications with all levels of RCMP		
PUBLIC ENGAGEMENT	Encourage Recycling	Engage CVRD educators		
		Schedule a hazard waste pickup and PR opportunity		

2017	STATEMENT OF OBJECTIVES Prepared 2017	STRATEGIES/ACTIONS Implemented 2017	MEASURES & OUTCOMES Collect Data 2018	REPORT Submit 2019
PUBLIC SAFETY	Road Safety & Maintenance	Signage at east side evacuation site		
		Pursue Pot Hole and Sink Hole Repair along all roadways working with the various jurisdictions: Forestry, Highways, Emcon, Village PW		
	Improve Airplane Dock Use, Safety And Atmosphere	Investigate replacement of dock or other options		
		Negotiate MOU with all users		
	Emergency Program	Improve strategy to inform residents of emergencies underway		
		Connect Rocket training and implementation		
	Improve Emergency Preparedness	Research funding sources for east zeballos siren replacement		
		Lobby at UBCM for funding		
		Provide labour and financial support for a pole to install the Ehattesah/ Chinehkint First Nation's new siren		
	Continue To Advocate For Public Safety	Arrange UBCM Minister Meetings		
		Encourage Road User Group - new format, more meetings and cooperation		

2017	STATEMENT OF OBJECTIVES Prepared 2017	STRATEGIES/ACTIONS Implemented 2017	MEASURES & OUTCOMES Collect Data 2018	REPORT Submit 2019
PUBLIC WORKS	Infrastructure Improvements	Research cost of lift station 2 improvements and funding opportunities		
		Monitor Sewer Expansion Process		
		Continue to work towards a step sewer system for East Zeballos		
	Reduce Flooding In Residential Areas	Complete Zeb Creek Flooding Mitigation		

RECREATION / CULTURE	Trail	Cost of construction, complete engineer and design, take to UBCM		
	Revitalize Walking Trails	Pw continue to maintain existing trails		
		Pursue grants for engineering and design of improvements to existing trails		
		Accept Canadian Rangers commitment to assist with trail maintenance		

APPENDIX II: SCHEDULES OF PAYMENTS AND PERMISSIVE EXEMPTIONS

2016 Schedule of Board Remuneration

	Remuneration	Expenses	Total
Mayor Cox	\$4,680.00	\$2,977.01	\$7,657.01
Councillor Jeff Coburn	\$3,120.00		\$3,120.00
Councillor Julie Colborne	\$3,120.00	\$2,865.07	\$5,985.07
Councillor Candace Faulkner	\$3,120.00	\$1,936.88	\$5,056.88
Councillor Barb Lewis	\$260.00	\$325.50	\$585.50
Councillor Kate Racey		\$251.00	\$251.00
Totals	\$ 14,300.00	\$ 8,355.46	\$ 22,655.46

2016 Schedule of Payments to Suppliers

Greater than \$25,000:

BC Hydro Total	\$ 31,610.04
BDO Canada LLP Total	\$ 357,83.65
Municipal Insurance Association Total	\$ 360,27.00
Municipal Pension Plan	\$ 35,195.73
Receiver General of Canada	\$ 54,599.34
Rollins Machinery Limited	\$ 39,200.00
RPB Constructors Ltd	\$ 4,881.03
All other Consolidated	\$ 712,82.08
Total Payments to Suppliers	\$ 648,578.90

2016 Permissive Exemptions

The Village of Zeballos did not have any permissive exemptions in 2016.

APPENDIX III: AUDITED MUNICIPAL FINANCIAL STATEMENTS

Village of Zeballos

Financial Statements

For the year ended December 31, 2016

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

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

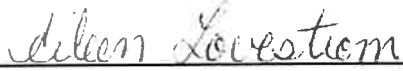
The Council of the Village of Zeballos has delegated the responsibility for the integrity and objectivity of the financial information contained in the financial statements to the management of the Village of Zeballos. The financial statements which, in part, are based on informed judgments and estimates, 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 Zeballos' independent auditors, BDO Canada LLP, are engaged to express an opinion as to whether these financial statements present fairly in all material respects, the Village of Zeballos' 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.



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Independent Auditor's Report

To the Mayor and Councilors of the Village of Zeballos

We have audited the accompanying financial statements of the Village of Zeballos, which comprise the Statement of Financial Position as at December 31, 2016, 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 Zeballos as at December 31, 2016 and its results of operations, changes in net financial assets and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP


Chartered Professional Accountants

Vancouver, British Columbia
May 4, 2017

Village of Zeballos
Statement of Financial Position

December 31	2016	2015
Financial Assets		
Cash	\$ 57,860	\$ 54,854
Accounts receivable	83,493	27,796
Portfolio investments (Note 1)	597,092	632,553
Taxes and user fees receivable	54,531	60,860
Investment in Nootka Sound Economic Development Corporation (Note 2)	73,727	78,902
	866,703	854,965
Liabilities		
Accounts payable and accrued liabilities	66,063	61,114
Unearned revenue (Note 3)	215,000	245,733
	281,063	306,847
Net Financial Assets	585,640	548,118
Non-Financial Assets		
Prepaid expenses	27,403	20,574
Tangible capital assets (Note 5)	3,866,386	3,861,636
	3,893,789	3,882,210
Accumulated Surplus (Note 4)	\$ 4,479,429	\$ 4,430,328

Contingencies - see Note 8

 Treasurer

 Mayor

Village of Zeballos
Statement of Operations

For the year ended December 31	Budget 2016	2016	2015
	(Note 12)		
Revenue (Schedule 2 and 3)			
Taxation - net (Note 7)	\$ 174,653	\$ 170,160	\$ 164,866
Government grants - Provincial (Schedule 1)	363,000	465,327	403,010
Sales of services	113,575	115,465	86,115
Contribution of tangible capital asset	-	26,789	26,789
Other revenue	7,700	5,632	7,094
Water utility	27,480	27,309	25,812
Sewer utility	13,600	12,230	11,606
	<u>700,008</u>	<u>822,912</u>	<u>725,292</u>
Expenses (Schedule 2 and 3)			
General government services	465,633	699,468	681,734
Interest and bank charges	3,000	2,863	2,990
Water system operations	21,366	40,233	37,393
Sewer system operations	23,405	31,247	57,950
	<u>513,404</u>	<u>773,811</u>	<u>780,067</u>
Annual Surplus (deficit)	186,604	49,101	(54,775)
Accumulated Surplus, beginning of year	4,430,328	4,430,328	4,485,103
Accumulated Surplus, end of year	\$ 4,616,932	\$ 4,479,429	\$ 4,430,328

Village of Zeballos
Statement of Changes in Net Financial Assets

For the year ended December 31	Budget 2016	2016	2015
	(Note 12)		
Annual surplus (deficit)	\$ 186,604	\$ 49,101	\$ (54,775)
Acquisition of tangible capital assets	-	(192,046)	(100,843)
Amortization of tangible capital assets	-	187,296	181,089
Disposition of tangible capital assets	-	-	1,666
	-	(4,750)	81,912
Acquisition of prepaid expenses	-	(27,403)	(20,574)
Use of prepaid expenses	-	20,574	22,609
	-	(6,829)	2,035
Change in net financial assets for the year	186,604	37,522	29,172
Net financial assets, beginning of year	548,118	548,118	518,946
Net financial assets, end of year	\$ 734,722	\$ 585,640	\$ 548,118

Village of Zeballos
Statement of Cash Flows

For the year ended December 31	2016	2015
		Restated (Note)
Cash provided by (used in)		
Operating activities		
Annual surplus (deficit)	\$ 49,101	\$ (54,775)
Items not involving cash		
Equity loss from Nootka Sound Economic Development Corporation	5,175	6,027
Amortization of tangible capital assets	187,296	181,089
	<u>241,572</u>	<u>132,341</u>
Changes in non-cash operating balances		
Accounts and taxes receivable	(49,368)	56,400
Prepaid expenses	(6,829)	2,036
Accounts payable and accrued liabilities	4,949	(400)
Unearned revenue	(30,733)	(35,124)
	<u>159,591</u>	<u>155,253</u>
Investing activities		
Purchase of tangible capital assets	(192,046)	(99,177)
Proceeds on disposal of investments	35,461	29,577
	<u>(156,585)</u>	<u>(69,600)</u>
Financing activities		
Increase (repayment) of bank indebtedness	-	(30,799)
Increase in cash during the year	<u>3,006</u>	<u>54,854</u>
Cash, beginning of year	<u>54,854</u>	<u>-</u>
Cash, end of year	<u>\$ 57,860</u>	<u>\$ 54,854</u>

Village of Zeballos
Summary of Significant Accounting Policies

December 31, 2016

Significant Accounting Policies

The Village of Zeballos (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 for its tax payers and some services to neighbouring communities. The Village prepares its financial statements in accordance with Canadian public sector accounting standards for local government 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. 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 asset 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 useful life of the tangible capital asset commencing once the asset is put into 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	10 to 40 years
Fixtures, furniture, equipment and vehicles	5 to 20 years
Fire truck	30 years
Roads and bridges	10 to 100 years
Other	10 to 100 years
Water infrastructure	10 to 100 years
Sewer infrastructure	10 to 100 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. Levies imposed by Strathcona Regional District for services and general administrative services and other taxing authorities are not included.

Village of Zeballos
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 when services are delivered. 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.

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

Contributions of assets in exchange for future services are deferred and amortized over the term of the service contract.

Trust Funds Trust funds held in trust by the Village, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately. (Note 9)

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, collectability of receivables and estimation of contingent liabilities.

Village of Zeballos
Summary of Significant Accounting Policies

December 31, 2016

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 standard, the government has 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 at this time, therefore no liability was recognized on transition as at December 31, 2016 or at December 31, 2015.

Village of Zeballos
Notes to Financial Statements

December 31, 2016

1. Portfolio Investments

	2016	2015
Money Market Funds - Municipal Finance Authority	\$ 597,092	\$ 632,553

Money market funds currently yield interest at 0.81% (2015 - 0.7%) and are redeemable at any time.

2. Nootka Sound Economic Development Corporation

	2016	2015
Cost of investment	\$ 41,993	\$ 41,993
Accumulated net equity income, beginning of year	36,909	42,936
Share of investment's loss during the year	(5,175)	(6,027)
Accumulated net equity income, end of year	31,734	36,909
Total investment	\$ 73,727	\$ 78,902

On February 21, 1996, the Village received the 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 Gold River, Tahsis 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 the three common shares of NSEDC and 35,075 of 140,300 (25%) 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.

As of December 31, 2014, the logging volume has been fulfilled.

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 NSEDC's board of directors resolved to wind up the entity during 2017. Subsequent to year end, the Village received dividends of \$11,229, the remaining equity will be distributed once the wind up is completed.

Village of Zeballos
Notes to Financial Statements

December 31, 2016

2. Nootka Sound Economic Development Corporation (Continued)

Condensed supplementary financial statement information of NSEDC:

	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
Comprehensive 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 Zeballos
Notes to Financial Statements

December 31, 2016

3. Unearned Revenue

Included in unearned revenue are amounts related to:

	2016	2015
Deferred revenue - fire protection agreement (a)	\$ 214,309	\$ 241,097
Other deferred revenue	691	4,636
	\$ 215,000	\$ 245,733
	2016	2015
Opening balance of unspent funds	\$ 245,733	\$ 280,857
Add: Amount received during the year	476	-
Less:		
Amount spent on eligible projects	(1,920)	(8,080)
Amortization of deferred fire protection agreement	(26,789)	(26,789)
Change from other deferred revenue	(2,500)	(255)
	\$ 215,000	\$ 245,733

- (a) The Village received a contribution of a fire truck with an estimated fair value of \$267,886 from Ehatís Reserve during 2014. In exchange for the contribution, the Village has committed to provide fire protection services, maintain the fire truck and provide a 50% reduction of annual fire service fee to Ehatís Reserve for each of the next 10 years (2015 - 2024) as the consideration of the capital contribution. The fair value is being amortized to revenue over the term of the service agreement.

Village of Zeballos
Notes to Financial Statements

December 31, 2016

4. Accumulated Surplus

The Village segregates its accumulated surplus in the following categories:

	2016	2015
Statutory Reserve - Capital Works, Machinery and Equipment Depreciation Reserve (a)	\$ 32,139	\$ 87,805
Economic Development Reserve	53,815	74,301
Future Expenditures Reserves	77,655	76,913
Gas Tax Agreement - Community Works (b)	219,005	159,691
Investment in Non-Financial Assets (c)	3,893,789	3,882,210
Unrestricted	203,026	149,408
	\$ 4,479,429	\$ 4,430,328

- (a) The Capital Works, Machinery and Equipment Depreciation Reserve was established by Bylaw #114, in 1975 for the purpose of setting aside funds on an annual basis to purchase machinery and equipment.
- (b) The Gas Tax Agreement funds consists of \$159,691 that remained unspent at December 31, 2015 plus additional funds of \$57,773 which was received in 2016 and \$1,541 of interest earnings. The amounts will remain in the reserve until spent on eligible projects.
- (c) The investment in non-financial assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Village of Zeballos
Notes to Financial Statements

December 31, 2016

5. Tangible Capital Assets

	Land	Buildings	Fixture, Furniture and Vehicles	Roads and Bridges	Parks and Land Improvements	Water Infrastructure	Sewer Infrastructure	2016 Total	2015 Total
Cost, beginning of year	\$ 342,442	\$ 1,417,061	\$ 700,744	\$ 1,262,310	\$ 582,437	\$ 985,975	\$ 988,724	\$ 6,279,693	\$ 6,180,516
Additions		11,583	62,164	88,509	29,790	-	-	192,046	100,843
Disposals		-	-	-	-	-	-	-	(1,666)
Cost, end of year	342,442	1,428,644	762,908	1,350,819	612,227	985,975	988,724	6,471,739	6,279,693
Accumulated amortization, beginning of year	-	458,955	235,341	726,899	280,670	295,406	420,786	2,418,057	2,236,968
Amortization	-	43,966	35,867	46,253	19,353	22,083	19,774	187,296	181,089
Accumulated amortization, end of year	-	502,921	271,208	773,152	300,023	317,489	440,560	2,605,353	2,418,057
Net carrying amount, end of year	\$ 342,442	\$ 925,723	\$ 491,700	\$ 577,667	\$ 312,204	\$ 668,486	\$ 548,164	\$ 3,866,386	\$ 3,861,636

Village of Zeballos
Notes to Financial Statements

December 31, 2016

6. Contingent Liabilities

- (a) The Village is responsible as a member of the Strathcona Regional District 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.

7. Taxation - Net

	Budget 2016	Actual 2016	Actual 2015
General municipal purposes	\$ 174,653	\$ 170,589	\$ 165,969
Collections for other governments			
Province of BC - school tax	56,000	56,051	55,200
Comox Strathcona Regional Hospital District	13,000	13,156	11,938
Police taxes levied	6,000	6,011	5,982
Strathcona Regional District	4,000	4,190	3,501
Municipal Finance Authority	800	826	871
Vancouver Island Regional Library	4,400	4,400	4,515
	258,853	255,223	247,976
Transfers			
Province of BC - school tax	56,000	56,051	55,200
Comox Strathcona Regional Hospital District	13,000	13,585	12,567
Police taxes levied	6,000	6,011	5,982
Strathcona Regional District	4,000	4,190	3,924
Municipal Finance Authority	800	826	877
Vancouver Island Regional Library	4,400	4,400	4,560
	84,200	85,063	83,110
Available for general municipal purposes	\$ 174,653	\$ 170,160	\$ 164,866

Village of Zeballos
Notes to Financial Statements

December 31, 2016

8. Pension Plan

The Village 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, 2015, plan membership is broken down into about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local governments and 5 contributors from the Village.

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 later in 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 paid \$21,473 (2015 - \$22,455) for employer contributions while employees contributed \$14,665 (2015 - \$15,819) to the plan in fiscal 2016 .

9. Funds Held in Trust

The Village holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries. The following trust funds and assets are excluded from the Village's financial statements:

	<u>2016</u>	<u>2015</u>
Cemetery Care Fund	\$ 480	\$ 480

December 31, 2016

10. Segmented Information

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

General Government Administration and Other

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

Protective Services

Protection is comprised of fire protection services, building inspection, bylaw enforcement and emergency 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, sidewalks, cemetery maintenance, outdoor lighting, storm drains and mechanical services and public work buildings.

Environmental Health

Environmental health is responsible for solid waste collection and landfill maintenance.

Recreation and Cultural

This service area provides services meant to improve the health and development of the Village's citizens and also include the cost of the local library services through Vancouver Island Regional Library.

Water Services

This service provides distribution of water to residents.

Sewer Services

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

Village of Zeballos
Notes to Financial Statements

December 31, 2016

11. Expenses by Object

	Operations	Capital Acquisitions	2016 Total
Goods and services	\$ 324,875	\$ 192,046	\$ 516,921
Labour	258,777	-	258,777
Debt charges - interest	2,863	-	2,863
Amortization expense	187,296	-	187,296
Total Expenses	<u>\$ 773,811</u>	<u>\$ 192,046</u>	<u>\$ 965,857</u>

	Operations	Capital Acquisitions	2015 Total
Goods and services	\$ 338,507	\$ 100,843	\$ 439,350
Labour	257,481	-	257,481
Debt charges - interest	2,990	-	2,990
Amortization expense	181,089	-	181,089
Total Expenses	<u>\$ 780,067</u>	<u>\$ 100,843</u>	<u>\$ 880,910</u>

12. Budget

Budget amounts represent the financial Plan By-Law adopted by Council on May 14, 2016. The budget anticipated 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. The following reconciliation of the "Surplus for the year" is provided to show which items must be added or removed to reflect the financial plan.

	2016
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	260,900
Less:	
Budgeted transfers to accumulated surplus	113,000
Amortization	<u>(187,296)</u>
Surplus for the year presented in PSAB financial statements	<u>\$ 186,604</u>

Village of Zeballos
Schedule 1 - Government Grants to the Village and Ratepayers

For the year ended December 31	Budget 2016	2016	2015
Province of British Columbia			
General operating fund			
Small Communities Protection	\$ 290,000	\$ 298,813	\$ 323,548
Grants - Bridge Replacement	-	88,509	-
Gas Tax Agreement - Community Works	58,000	57,773	55,891
Grants in lieu of taxes	4,000	4,544	5,415
Community Hall	-	-	8,081
Asset Management Plan	-	1,919	-
Other	11,000	13,769	10,075
	\$ 363,000	\$ 465,327	\$ 403,010

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

For the year ended December 31, 2016

	General Government Administration	Protective Services	Transportation Services	Environmental Health Services	Recreation and Cultural Services	Water Utility	Sewer Utility	Total 2016 Actual	2016 Budget
Revenues									
General taxes, net	\$ 170,160	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,160	\$ 174,653
Utility charges	-	-	-	-	-	27,309	12,230	39,539	41,080
Government grants - Provincial	451,558	-	-	-	13,769	-	-	465,327	363,000
Contribution of tangible asset	-	26,789	-	-	-	-	-	26,789	-
Sales of services	46,740	13,272	18,371	29,769	7,313	-	-	115,465	113,575
Other revenue	5,632	-	-	-	-	-	-	5,632	7,700
	674,090	40,061	18,371	29,769	21,082	27,309	12,230	822,912	700,008
Expenses									
Operating									
Goods and services	153,504	36,189	70,340	7,333	37,609	13,288	6,612	324,875	79,438
Labour	133,096	4,297	79,787	19,231	12,642	4,862	4,862	258,777	243,670
Interest and bank charges	2,863	-	-	-	-	-	-	2,863	3,000
Amortization	59,231	13,576	46,253	7,026	19,353	22,083	19,774	187,296	187,296
	348,694	54,062	196,380	33,590	69,604	40,233	31,248	773,811	513,404
Excess (deficiency) in revenues over expenses	\$ 325,396	\$ (14,001)	\$ (178,009)	\$ (3,821)	\$ (48,522)	\$ (12,924)	\$ (19,018)	\$ 49,101	\$ 186,604

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

For the year ended December 31, 2015

	General Government Administration	Protective Services	Transportation Services	Environmental Health Services	Recreation and Cultural Services	Water Utility	Sewer Utility	Total 2015 Actual	Total 2015 Budget
Revenues									
General taxes, net	\$ 164,866	-	\$ -	\$ -	\$ -	\$ 25,812	\$ 11,606	\$ 164,866	\$ 167,550
Utility charges and user rates	-	-	-	-	-	-	-	37,418	34,500
Government grants - Federal	-	-	-	-	-	-	-	-	-
Government grants - Provincial	392,935	-	-	-	10,075	-	-	403,010	538,656
Contribution of tangible asset	-	26,789	-	-	-	-	-	26,789	-
Sales of services	43,379	1,820	13,484	20,658	6,774	-	-	86,115	78,550
Other revenue	7,094	-	-	-	-	-	-	7,094	10,100
	608,274	28,609	13,484	20,658	16,849	25,812	11,606	725,292	829,356
Expenses									
Operating									
Goods and services	147,473	31,810	72,079	6,383	36,189	10,854	33,719	338,507	211,461
Labour	145,713	2,504	71,816	16,632	11,904	4,456	4,456	257,481	238,000
Interest and bank charges	2,990	-	-	-	-	-	-	2,990	3,500
Amortization	53,024	13,576	46,253	7,026	19,353	22,083	19,774	181,089	181,089
	349,200	47,890	190,148	30,041	67,446	37,393	57,949	780,067	634,050
Excess (deficiency) in revenues over expenses	\$ 259,074	\$ (19,281)	\$ (176,664)	\$ (9,383)	\$ (50,597)	\$ (11,581)	\$ (46,343)	\$ (54,775)	\$ 195,306