

District of Port Hardy

2011 Annual Report

For the fiscal period ending
December 31, 2011



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*Prepared by District of Port Hardy Financial Services Department
in conjunction with the Economic & Community Development Department*



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Overview 2011

The District of Port Hardy is located on the northern-most tip of Vancouver Island. As the largest community in the Regional District of Mt. Waddington, Port Hardy serves as a transportation hub for air, sea and highway transportation networks. It is also the only community in the Mt. Waddington Regional District, besides First Nation Bands, to have grown in population, according to the 2010 Census (between 2006 and 2010).



Just the Facts

- Incorporated May 5, 1966
- Covers 40.8 square kilometers (4,731 hectares)
- Population of 4,008
- Key sectors: forestry, mining, fishing, logging, aquaculture, green energy, tourism
- Three neighbouring First Nation Bands
- Transportation hub for air, land and sea; serves as the southern terminus for BC Ferries' northern routes
- Gateway to the new BC Marine Trail, the North Coast Trail and Cape Scott Provincial Park

Demographics

Market Area Population: 11,0000+

Average Earnings: \$44,607 full-year / full-time; median age is 33

First Nation Neighbours: Kwakiutl First Nation, Quatsino First Nation,
Gwa'sala-'Nakwaxda'xw First Nations

Transportation

Distance to other centres via Highway 19:

- Port McNeill—42 km / 27 miles (1/2-hour drive)
- Port Alice—51 km / 31 miles (3/4-hour drive)
- Campbell River—235 km / 148 miles (2-1/2 hour drive)
- Nanaimo— 385 km / 243 miles (4-hour drive)
- Victoria—500 km / 313 miles (6-hour drive)

Regional Airport with three paved runways (longest 5,000m), a weather office and all weather ILS system, a flight service station and fuel facilities

BC Ferries offers year-round service to Prince Rupert, Bella Bella, Bella Coola and Shearwater. Website is www.bcferrries.com

Media

Newspaper: North Island Gazette (weekly), www.northislandgazette.com

Radio: The Port 1240 AM; CBC Radio 95.5 FM

General Information

Accommodations: 20 bed & breakfasts, 5 RV parks & campsites with 216 sites, 6 hotels with 250 rooms

Water & Sewer: Water treatment plant capacity to 8,500 (Dissolved Air Flotation System); electricity through BC Hydro and Power Authority; sewage: secondary wastewater treatment (417,000 gal/day)

Streets & Roads: 40.9 km of asphalt, 3.0 km unpaved

Parks & Picnic Areas: 10 parks, 5 ball fields, 2 boat ramps

Infrastructure



Infrastructure

Port Hardy has extensive infrastructure for a community of its size, including:

Municipal Services

- Civic Centre
- Indoor heated pool
- Skating arena and snack bar
- Curling rink
- Volunteer fire department
- Float plane base
- Extensive wharf system

Education & Training

- Secondary and post-secondary educational facilities

Health Care

- Ambulance, hospital and dental services
- Regional transit system
- Golf & Country Club
- Eco - and cultural tourism opportunities

Recreation

- Sports fishing
- Skateboard park
- Tennis courts
- Gymnastics and martial arts classes
- Dragon Boat team
- Beautiful beaches
- Extensive trail system for hikers
- World-class diving
- Start of BC Marine Trail: northern leg
- Camping and eco-cabins
- Wildlife viewing

Government Agencies

- Government Agent's office
- Employment services
- Department of Fisheries & Ocean's office
- Canadian Coast Guard base
- Regional airport
- RCMP

Other Services

- Recycling facilities

Vision

OUR COMMUNITY

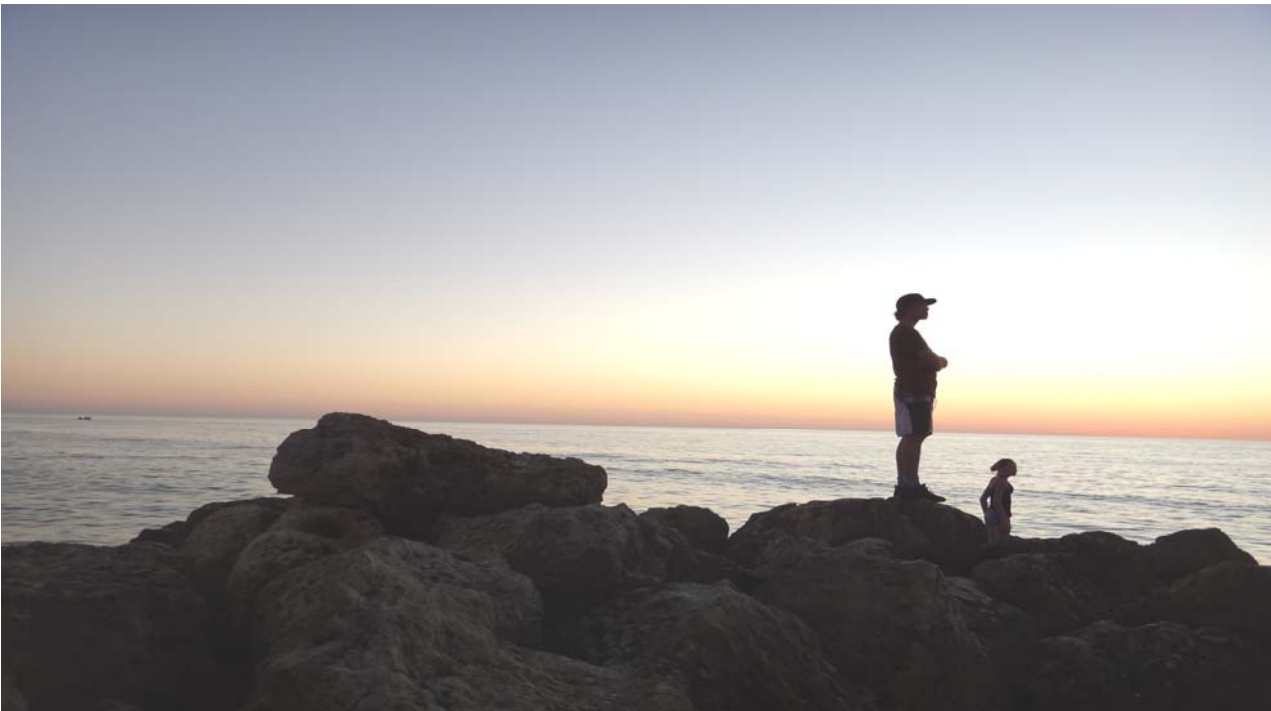
Port Hardy is a dynamic, multicultural and caring community where people are connected to the natural beauty, open spaces and rich cultural heritage.

Citizens enjoy a diversified economy, providing household sustaining employment to local and regional residents.

The community is vibrant, safe and affordable, and citizens are actively engaged in community life, recreation and healthy lifestyles.

Planning and development policies and decisions reflect the community's desire for sustainability by protecting and enhancing the livability and quality of life while embracing the opportunities presented by our geography and wealth of resources.

We are leaders in fostering effective partnerships that enhance economic prosperity, social development and environmental stewardship. Through innovation, practicable and long-term planning, the community is prepared to thrive and flourish despite uncertainties and change.







Mayor Bev Parnham

Message from the Mayor

It gives me great pleasure to present the District of Port Hardy Annual Report for 2011.

The year 2011 was an incredibly busy one for our community. Council and staff have worked very hard to keep up with the completion of projects and the launching of new ones. Our new Official Community Plan (OCP) was adopted in the Fall, providing a blueprint for our newly elected council to follow in the development and continued enhancement of our town. The Steering Committee did an excellent job of putting the OCP together and have created an inspired, action-oriented document.

Our infrastructure was improved this year with the replacement of the Central and Trustee Street lift stations, Seine Float improvements, two large paving projects, some very substantial repairs necessitated by the flood in September 2010 and the completion of the East Side of Hardy Bay sewer project. The BC Ferries Bear Cove Terminal and other businesses in the vicinity are now hooked up to our sewer system. A new fire rescue truck was purchased for our hard working Port Hardy Fire Rescue and Council appointed Schell Nickerson as Fire Chief.

We were fortunate to receive grant funding for the East Side Recreation Site development at Bear Cove. This recreation site, a two-year project to be completed in 2013, will provide a place for recreational boaters and kayakers to stop off and visit our community. Port Hardy has been named, along with Tofino as a terminus for the Marine Trail Network, and the new recreation area will provide a starting-off or completion point for kayaking and boating enthusiasts from around the world to explore our area and enhance our tourism industry. It will also provide a great alternative boat launch for locals when headed out for a day of fishing or cruising.

The Local Working Group (LWG) for the Port Hardy Hospital has been working very hard over the past six months to put together recommendations to the Vancouver Island Health Authority (VIHA) to ensure that Port Hardy hospital emergency remains open consistently and that other issues around physician recruitment and retention are addressed. The LWG is recommending short-term “critical” measures to stabilize the current situation and is committed to working with VIHA to make the North Island a model of excellence for rural health. The report will be presented to the board in the Spring of 2012 and the ball will then be in VIHA’s court to show commitment to our North Island citizens, and the betterment of our primary and emergency health care.

We are very fortunate to have such a hard-working staff. Despite our limited capacity and budget, they manage to get the work done and keep our community ticking. They are often expected to pull the proverbial rabbit out of the hat and, amazingly, they always find a way to get it done.

Our Public Works Department has been working hard, with a tight budget and small crew, to keep our community looking and running well. Our gardens are developing beautifully and it's a joy to see the civic pride our citizens are showing in our community.

Our newly elected Council comes with a great deal of experience and knowledge and they have all taken well to their new roles. Council is a hard-working, dedicated team and the community should all be proud of a Council who works so well with the best interests of the community always at heart.

We have also worked hard to bring new jobs and economic opportunities to Port Hardy and will continue our efforts in 2012 to bring jobs, growth and prosperity to our community.



Bev Parnham, Mayor



Local Government

The level of government closest to the citizens of this community is the District of Port Hardy Municipal Government, where the elected Mayor and Council set policy on how staff and contractors provide many critical services to the community.

Council Members



Standing: Councillors John Tidbury, Janet Dorward, Jessie Hemphill, Rick Marcotte

Sitting: Councillor Al Huddlestan, Mayor Bev Parnham, Councillor Nikki Shaw



Goals 2011

District of Port Hardy 2011 Council Goals

Economic Development	In Progress	Completed
Finalize the Community Forest Corporation		X
Continue to build a long-range Economic Development Strategy in concert with the Community First Agreement with the Ministry of Jobs, Tourism and Innovation	X	
Investigate options for airport lands	X	
Continue to support biomass applications at the Civic Centre Complex		X
Continue to develop / work with green energy initiatives in the area	X	
Encourage BC Hydro to upgrade transmission lines and improve southbound capacity	X	
Support Geoscience BC and work with the Ministry of Forests, Mines and Lands and industry to encourage mining exploration and development		X
Investigate Economic Development Corporation structures and uses		X
Continue to explore and encourage value-added opportunities in all resource sectors	X	
Transportation	In Progress	Completed
Identify future options for Seaplane Base		X
Conduct a Public Works operational and capital review		X
Update paving assessment of municipal roads		X
Review the Integrated Stormwater Management Plan		X
Continue to upgrade stormwater systems on a priority basis	X	
Review sidewalk / trails plan		X
Develop plans for property redevelopment & revitalization	X	

District of Port Hardy 2011 Council Goals



Community, Social, Health & Education	In Progress	Completed
Support and encourage post-secondary education opportunities		X
Develop an action plan from the Community to Community Forum and Federation of Canadian Municipality meetings for future Municipal Type Service Agreements and protocol agreements		X
Encourage support for healthy community initiatives; involve Indian and Northern Affairs Canada	X	
Develop a future vision for a museum	X	
Complete Official Community Plan and produce an action plan		X
Finance	In Progress	Completed
Complete a comprehensive 5-year plan		X
Examine the municipal tax rates and structures to reduce the business class rate		X



Goals 2012



2012 Council Goals

Priority	Goal
1	Eliminate barriers for local (sea) foods to be harvested, processed and made available locally.
1	Complete a mutually beneficial project with local First Nations.
1	Explore economic development opportunities on the Central Coast.
1	Create new opportunities for citizen engagement and communication.
1	Work towards developing a community housing strategy.
2	Support the development of a primary health care facility.
2	Identify opportunities to be a transportation hub.
2	Revitalize the downtown core with a focus on business retention.
3	Proactively pursue value added opportunities.
3	Continue to improve our infrastructure (long-term planning 10-20 years).
3	Work with North Island College to develop local Education, training, research and development programs.

Message from the CAO

**Rick Davidge,
Chief Administrative Officer**

The 2011 Strategic Plan, upon which this progress report is based, forms the foundation from which our activities are derived. With twenty three goals identified by Council it has been a very active year for the District.

Foremost, from a community planning perspective, has been the adoption of a new Official Community Plan (OCP) involving hundreds of citizens participating in workshops, open houses, and surveys. This community input to the OCP will provide an important vision of Port Hardy's future.

A number of important capital projects were completed this year, including the Storey's Beach storm water upgrade, Granville/Park Drive upgrades and walking trail improvements. The District continues to examine its storm water and sewer infrastructure and pursue funding opportunities for their improvement.

Staff will be working diligently to implement Council's directives and meeting the challenges of delivering a high level of service in an efficient and effective manner.



Operational Services



The Public Works Department is responsible for the operation and maintenance of the District's assets and infrastructure. This includes streets, traffic lights, street lights, cemetery, public parks, fleet services, storm drains, boat ramps, bridges, snow and ice removal and road marking. The department is staffed by seven full-time employees, including a foreman who oversees day-to-day activities.

Public Works Highlights

- Completed Byng Road storm drain improvements.
- Completed safety audit and implemented new safety program.
- Performed operations yard clean-up of surplus inventory.
- Constructed a yard waste drop-off facility.
- Implemented annual paving program.
- Purchased a new backhoe.
- Replaced two dual culverts on Beaver Harbour Road.
- Secured sanding unit for snow operations.
- Updated Stormwater Management Plan.
- Performed flood damage restoration in harbour parks.
- Worked in Goletas Heights subdivision.
- Added boulevard treatments along Granville and Park Drive.



Utilities

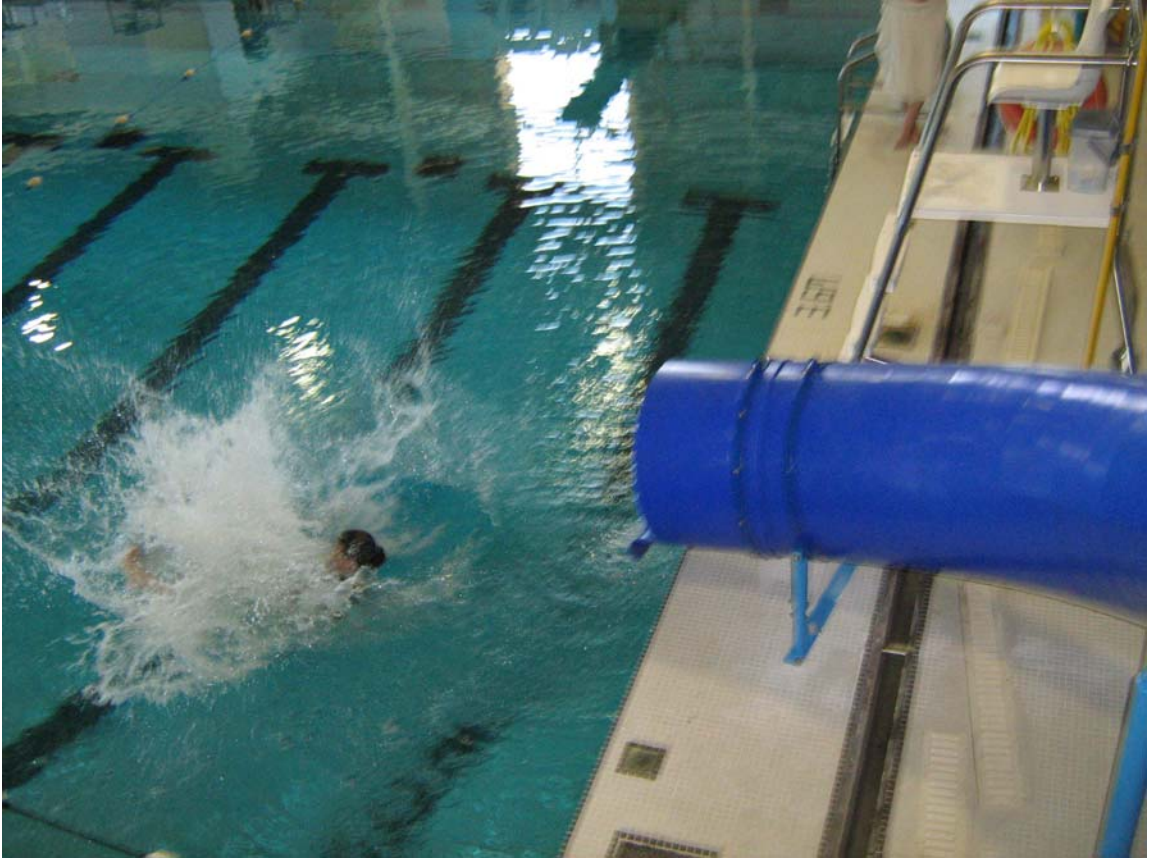
The District subcontracts its water and sewer operations to EPCOR Utilities under a 20-year Operations & Management contract (2000-2020). Under the direction of the EPCOR Operations Manager, EPCOR is responsible for the operation of the following utilities:

- Level 3 water treatment plan and class 2 water distribution system.
- Level 3 and level 2 wastewater plants and accompanying class 2 collection system.
- Capital program related to water and sewer.

Utilities Highlights

- Completed the low-pressure sewer system project for the East Side of Hardy Bay.
- Finished Park Drive Pressure Reducing Valve (PRV) project .
- Rebuilt the town's wastewater treatment plant centrifuge.
- Completed polymer system upgrade.
- Finished lift station upgrades.
- Implemented inflow and infiltration monitoring program.
- Started hydrant replacement program.





Other Departments





Port Hardy Fire Rescue

Schell Nickerson, Fire Chief

Port Hardy Fire Rescue (PHFR) responded to 117 calls for service in 2011, which was down from 128 calls in 2010. The breakdown for these calls was as follows:

44	False Alarms	38%
24	Assistance	21%
19	Fire	16%
15	Motor Vehicle Accident	13%
4	Investigations	3%
4	Rescue	3%
3	Haz-Mat	3%
2	Mutual Aid	2%
2	Miscellaneous	1%

Community Involvement

Port Hardy Fire Rescue engaged many local citizens through its fire safety and prevention programs, including children from the Little Amigo Daycare, Rainbow Daycare, Stepping Stones and Eagleview Kindergarten. Other community groups included the Emergency Preparedness Committee and Port Hardy Senior Center members. The organization also supported a wide range of community events, such as the Remembrance Day Parade, Canada Day Parade, Grad Escort, Halloween Drive Around, Filomi Days Parade and fireworks, Eagleview Elementary School Fun Fair, Christmas Hamper deliveries and Cops for Cancer.

Highlights

Donations from the Port Hardy Hospital Auxiliary Society enabled the PHFR to purchase:

- 2 Bullard Thermal Imagers.
- Miscellaneous Rope Equipment.
- \$4,500 in Training:
 - Driving in Rural Fire Department
 - Live Fire
 - Auto-X
 - S.T.A.R.T.
 - Traffic Control
 - Other On-line training
- The year started with 33 members, 5 members, with service totalling 41 years left PHFR and t3 new members joined; to end the year with 31 members in total.
- Chief Barry Evans stepped down as Chief on July 1, 2011 and Deputy Chief Schell Nickerson was appointed Fire Chief. Subsequently, Chief Nickerson appointed Captain Sean Mercer to Deputy Chief. Barry Evans now holds the position of Assistant Chief.
- Revised Fire Bylaw.
- Completed new Mutual Aid Agreements with Port McNeill and Port Alice.



Equipment Updates

- Replaced Rescue 11 with the new Rescue 15
- Purchased 5 sets of bunker gear.
- Tested 204 length of hose for the first time ever with only a 10% fail rate.
- Rebuilt Engine 10's pump and foam system.

The hard work and dedication of our volunteer firefighters and the support of their families and employers has been essential to our success as a fire service provider to the community we serve. We are very grateful for their contribution.



Emergency Management

Bob Hawkins, Emergency Coordinator

Overview

Thankfully last year we did not have to activate the Emergency Operation Center (EOC). Despite dire warnings on several occasions, the flooding of September 2010 was not repeated. The Japan earthquake did cause a flurry of concern regarding tsunami and radiation. Again, thankfully, these were not a serious problem for us and the Port Alice quakes were not strong enough to do damage here. We held a community information meeting in October to review and stress the importance of individual preparedness, as well as neighbourhood cooperation in case of major catastrophe. The public attendance was sufficient and interest was high enough that we planned another Town Hall Meeting for May of 2012.

Accomplishments

- Conducted monthly meetings in Port Hardy to continue building a strong local response for emergencies.
- Attended meetings in Tsulquate Reserve with Bob Swain, Emergency Program Coordinator for the Gwa'sala-'Nakwaxda'xw band
- Attended courses for training in Emergency Operations Center and Emergency Planning (First Nations).
- Participated in the planning of the mass casualty training event held at Keogh River (thank you to Alex Mattes of BC Ambulance Service for putting together a great learning experience).
- Received a quote for supplying tsunami alert sirens as well as indications of interest from Aboriginal Affairs & Northern Development Canada as to cost sharing.
- Worked with Al Dodd from the Port Hardy Airport to investigate a training scenario that will involve all of the local agencies and require the activation of the EOC.
- Made a second attempt to obtain Joint Emergency Preparedness Program (JEPP) funding for a generator to power the primary Emergency Reception Center in case of lengthy hydro outage.
- Purchased signage to direct citizens to the reception centers.



Policing

Anna Marie Mallard, Staff Sergeant / Detachment Commander

Overview

Port Hardy RCMP Detachment has a contingent of:

- 15 RCMP Officers
- 3 Public Service Employees
- 9 Corps of Commissionaire and Victim Services Employees
- 2 Auxiliary Constables, both from Port Hardy and active community people



The RCMP provide 24-hour policing coverage for a vast geographical area. There are two Members dedicated to First Nations Policing in a liaison role between communities and police.

2011 was a very busy year for the Detachment, which opened 3,894 files; a total of 935 prisoners spent time in cells. Throughout the year, Port Hardy RCMP participated in various community events. Many parades were led by police, including the Port Hardy Secondary School graduation, Canada Day, FILOMI Days and Remembrance Day.

During the summer, the community saw 'Mounties on Mountain Bikes', an idea promoted for bike safety as well as an increased presence on trails around Port Hardy.

In the summer, the Port Hardy Detachment gained a former Port Hardy resident. Corporal Brett Sinden spent his formative years growing up in Port Hardy attending school in Fort Rupert. His family left when he was 12 years old. After being away for many years, he has returned with his wife and two children. Brett knows many people in the area and is a great asset to the Detachment and community.

Port Hardy RCMP promote safer communities and consistently conduct road checks for traffic safety. Often road checks will include members from the detachments in Port Alice and Port McNeill.

The Port Hardy Detachment invites community members to assist police in solving crimes by contacting the local detachment or Crime Stoppers.

Aquatic Center

Melinda Dennison, Aquatic Supervisor

Highlights

- The Centre realized dramatic increases in the number of individuals attending Aquafit, public and family swims.
- An average of 1,400 people used the Aquatic Centre every month.
- Staff stayed up-to-date on certifications and attended many advanced training courses.

Aquatic Centre Maintenance

- Repaired pool leak and re-grouted the pool to stop further problems
- Overhauled pool lockers in both the men's and women's change rooms

Here are the replacement of blue and the old red lockers in men's change room



Year-End Totals

<u>Swim Type</u>	<u>Total</u>
Early Bird	334
Lengths Swim (day)	2,296
Length Swim (evening)	730
Senior & Family Swims	1,065
Public Swims (day)	2,382
Public Swims (evening)	3,165
Family Swim (evening)	3,255
Aquafit (day & evening)	2,418



Don Cruickshank Memorial Arena

Gord Wolden, Recreation Facility Foreman

Highlights

- Hosted five Minor Hockey tournaments, a Peanut Jamboree and ‘the Port Hardy Wild Women’s Hockey Tournament.
- Patrons and user groups racked of 1077 hours of facility use.
- There was an additional 50 plus hours of dry floor rentals in the off season, including two ball hockey tournaments and drop-in roller hockey from April to June.
- Hosted the Circus Gatti and the annual Filomi Days dance.
- Recreation Department skates and events attracted 2,991 skaters, with 568 attending the free holiday skates and stick times; 12 local businesses hosted free holiday skates.
- Staff provided hundreds of community service hours, supporting local events such as Canada Day, the Van Isle 3600, Filomi Days and the annual Fall Fair in Port Alice.

Recreation Complex Maintenance

Arena

- Performed general plumbing and facility repair and maintenance.
- Replaced flywheel for edger.
- Replaced contactor for compressor 1.
- Completed dasher board repairs.

Pool

- General plumbing and facility repair and maintenance.
- Repaired and painted old lockers from facility and from School District 85.

Other

- Painted exterior of PEP and Lions containers at back of Civic Centre.
- Started exterior painting of front of building and Civic Centre .
- Purchased and installed a new information and event board at the front of the Recreation Centre.



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PORT HARDY
TWINNING SOCIETY

c/o Box 68 Port Hardy, BC V0N 2P0
Port Hardy, BC - Numata, Hokkaido
Canada - Japan

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To strive for the advancement of friendship between our community and Numata through the promotion of exchanges in the fields of economy, culture, education, and sports... in full and free cooperation with our sister city.

The Port Hardy Twinning Society was devastated to learn of the March 2011 9.0 magnitude Tōhoku Earthquake and resulting tsunami that hit the Sendai area of Japan. Members of the Society were quickly in touch with friends in Numata and relived to know that, while the earthquake was felt in the town, our sister city of Numata was not directly affected by the catastrophe.

Japan is a small country and many of the people of Numata have family and friends in the hardest hit areas and the Society did not want to burden Numata with a visiting delegation in August. It was with great difficulty that the Twinning Society decided to cancel the visit to Numata for the 12-member delegation of students and adults.



"It is with regret and disappointment that we have decided to cancel our Twinning exchange trip to Numata this summer. We feel that it is not a good year for us to impose on your gracious hospitality. Your Council and citizens will be busy providing help to families and towns that were devastated by the disaster. It would be a great imposition for us to ask Numata to host a Twinning exchange when Japan is dealing with the worst disaster it has ever faced."

Mark Jones, Chairman, Port Hardy Twinning Society

It was arranged that the \$2,500 School District 85 scholarships awarded to Laina Southgate and Jooyong Cho for the 2011 visit to Numata will be held over to 2012. The Society is working with Numata to send a small delegation of these grade 12 students to visit Numata in 2012 so that they do not miss out on the opportunity to have a great educational and cultural experience.

To help with earthquake/tsunami relief efforts, the Society organized a Japan Walk Fundraiser in April that raised over \$3,890 for the Canadian Red Cross Japan Relief efforts. Events included a walk by donation, t-shirt sales, a 'things Japanese' garage sale, kimono photos and refreshments.





Director of Corporate Services

Gloria Le Gal, CMC

The Corporate Administration department focuses on the legislative, administrative and land administration functions of the *Community Charter* and *Local Government Act*.

The Department ensures Council is provided with relevant information from District staff, committees and the general public. It provides the public with information related to the activities of Council, ensures meeting and agenda material is complete and provides the necessary information for decision making. Corporate Administration oversees record keeping, requests under the *Freedom of Information and Protection of Privacy Act*, conducts elections and handles all risk management issues.

The Municipal Inspector handles complaints relative to all bylaws and provides enforcement support to other departments. The Municipal Inspector also acts as Building Inspector, ensuring that building developments conform to all relevant bylaws and codes by focusing on the health, safety and protection of persons and property.

Corporate Services is also responsible for municipal planning functions including land use, design review of new development and administration all relevant land use bylaws.

2011 Highlights:

Administration

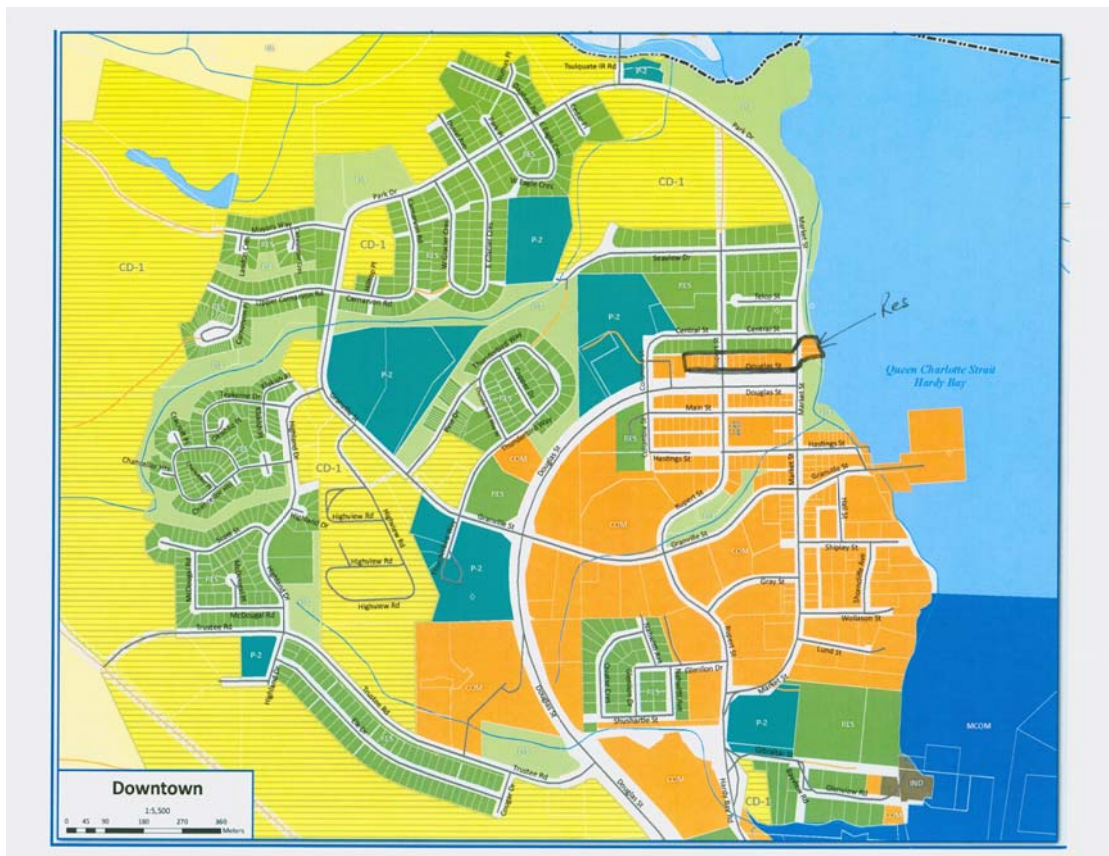
- Negotiated lease with Rogers Cellular for cellular tower.
- Negotiated renewal of leases for the Port Hardy Museum and for the Coast Guard offices, Seagate Wharf.
- Entered into new contracts for Animal Control services and for janitorial services.
- Coordinated Citizens Committee review of council remuneration and acceptance of their recommendations.
- Worked with Tourism Port Hardy for renewal of Additional Hotel Room Tax.
- Hosted the Vancouver Island Local Government Management Association annual conference.
- Completed 2011 Local Government General Election.

Bylaws and Policies

- Developed cross connection regulations included in a new Water Regulations Bylaw and requisite policy.
- Completed review and new bylaws enacted for Election Bylaw, Harbour Regulations Bylaw and Fire Department Establishing Bylaw.
- Developed an Idle-Free Policy.

Development and Building Inspection Services

- Worked with Focus Corporation to complete an Official Community Plan review with eventual adoption of new OCP Bylaw.
- Completed zoning amendment.
- Negotiations underway with Cape Scott Wind Farm for a statutory right of way to accommodate construction of their transmission line.
- Process started for closure of a portion of Gibraltar Street and eventual disposition of land.
- Building Inspector has attended Building Officials Association of BC trainings throughout the year.
- Thirty-five building permits were issued in 2011 with a construction value of \$2,177,200 and eighty-five woodstove inspections were completed.
- Building inspection services provided to Port Alice, Port McNeill and Regional District of Mount Waddington.



Economic & Community Development

Economic & Community Development

Patti Smedley, Economic Development & Community Coordinator

Community First Agreement

In 2011, The District of Port Hardy completed a short-term economic development plan which they presented to the Ministry of Jobs, Tourism and Innovation at the annual Union of BC Municipalities (UBCM) conference in Whistler. The goal of this plan was to obtain support for local initiatives through a Community First Agreement with the Province.

As a result of this meeting, Port Hardy became one of eleven BC communities to gain assistance for government support to pursue the District's strategic priorities. The Agreement gives Port Hardy the chance to collaborate directly with the Province on local priorities which will help the District build a stronger and more diverse local economy. Specifically, Port Hardy has identified downtown revitalization, investment attraction, a business retention and expansion initiative, partnership development initiatives with local First Nations, and a review of the local marine infrastructure as priorities in its agreement.

For its part, the Province has provided a primary contact to meet with community representatives, provide information and resources, and work with the District to identify available funding sources and other resources that may assist Port Hardy in reaching these goals.

The infrastructure projects outlined in this section have been supported through this agreement.



Whistler, BC, was the location of the Annual 2011 UBCM Conference.

Key Economic Development Goals: 2010-2011

Consider potential for a District Energy System

Port Hardy's compact, downtown core has potential to benefit from the green economy via a district energy system or smaller stand-alone systems. Several feasibility studies have shown the benefits of implementing a biomass project.

Revitalize the downtown core

Port Hardy currently lacks "curb appeal" due to a crumbling hotel structure on prime waterfront property in the downtown core. The town also lacks a town centre, and local businesses could benefit from coordinated efforts to increase their visibility and attraction for tourists.

Identify potential for foreign & domestic investment & create supporting tool kit

Port Hardy has extensive natural resources and several innovative initiatives being pursued by the District, as well as local First Nation bands. The District lacks basic tools to attract either foreign or domestic investment.

Explore economic development opportunities with the Central Coast

The District's location positions it as a key service provider for the Central Coast. This affords many opportunities to determine how we can enhance and grow the services we offer to this important region. A strategic alliance with BC Ferries will be key to achieving this goal.

Review marine transportation infrastructure gaps

Harbour upgrades have resulted in significantly increased harbour traffic for both sport and commercial traffic. As a result, there is a need to review current assets and provide concrete solutions to address traffic flow, safety needs and additional infrastructure requirements.

Research more productive use of serviced light industrial airport lands

The lands surrounding the airport are fully serviced and underutilized. This offers a significant opportunity to attract complimentary services or businesses that meet standards for light industrial zoning.

Develop strategies to retain and grow local business

The District has a strong history of partnering with local service agencies for infrastructure and revitalization projects, yet no Business Improvement Areas have been organized to enhance the ability of local businesses to increase their sustainability and improve their store fronts.

Support local First Nations economic development initiatives

The recent signing of a regional protocol agreement with First Nations and the growing capacity of the bands to address their economic development needs provides an opportunity for the District and First Nations to identify and partner on common goals.

The District of Port Hardy pursued multiple Economic and Community Development initiatives to create a resilient and sustainable economy. Major milestones included:



Bear Cove Recreation Site

Wrote successful proposal to upgrade amenities at the Bear Cove Recreation Site, including extension of the existing boat ramp, addition of a 20-slip float system and attenuator, a pavilion, accessible picnic tables and benches, boat washing and fish cleaning stations, reserved parking for commercial fishing charters, and improved signage.

\$1.2 Million Project (In progress)

Funding: ICET: \$400,000; CST: \$150,000; WestCCAP: \$250,000; Port Hardy Rotary: Fish Cleaning Station; Community Fisheries Development Centre \$92,528; District



Beaver Harbour Dual Culvert Upgrades

Replaced two dual culverts on Beaver Harbour Road to decrease flooding and replace crumbling infrastructure.

\$567,000 Project (Completed)

Funding: Towns for Tomorrow: \$400,000; District \$167,000



Biomass Conference / Austria

Invited to subsidized conference on biomass in Austria, a European leader in this technology. Recreation Facility Foreman Gord Wolden attended the two-week training sessions, which provided the District with a better understanding of this technology and what "next steps" need to be taken if the District is to pursue this green energy option.



Community to Community Forum

Received funding to host three Community to Community meetings with the Kwakiutl First Nation to open a dialogue around areas of mutual interest and concern. Meetings included key decision makers from both groups.

\$2,800 Project (Completed)

Funding - UBCM: \$1,450



Douglas Street Upgrades

Leveraged monies from Tree Canada and BC Hydro to complete \$17,000 in landscaping amenities for Douglas Street.

\$17,000 Project (In progress)

Funding - TreeCanada, \$10,000; District, \$7,000



Curling Club Upgrades

Completed major components of e-friendly and accessibility upgrades to the local curling club, including a new e-ceiling, handicap ramp, fully accessible washrooms, installation of insulated doors and triple pane windows between the lounge and ice surface, to name a few. The project also included replacement of aging infrastructure -- two condensers, the back shed roof, and lighting throughout the building.

\$193,896 Project (Completed)

Funding - Towns for Tomorrow: \$155,766; District: \$38,130



Diamond Jubilee

Wrote proposal to host Diamond Jubilee events in our community during the month of August. Events include special displays at the library and museum and at Canada Day, a Senior's tea, Missoula Children's Theatre, North Island Wimbledon Tennis Tournament, FILOMI Days activities and Art in the Park to name a few.

\$10,000 Project (In progress)

Funding - Heritage Canada \$6,300; District \$3,700 in-kind



Doctor Tours

Worked with VIHA and local physicians to host three potential doctors and their families who were considering joining a practice in our community. VIHA signed one physician as a result of their visit to our community.

Ongoing



Trade Delegation Meetings

The District's Economic Development Coordinator and CAO, along with Mayor Parnham, had the opportunity to visit with International Trade Representatives from 16 countries to learn more about trade opportunities. The District invited local business people with trade-ready products to accompany the delegation.



Fort Rupert Trail

Provided shelf-ready proposal to Richply and the Kwakiutl First Nation to apply for a Job Creation Partnership (JCP) to complete work on the Fort Rupert Trail. The JCP put six locals and one supervisor to work to complete the 3.7 kilometers of trail. The District provided some in-kind support and basic supplies, including materials such as gravel and landscaping cloth.

\$167,000 Project

Funding— Job Creation Partnership Project: \$167,000



Seniors Guide

Partnered with local seniors and service organizations to create a Comprehensive Services Guide for seniors. The guide was created in an easy-to-read format, in big print, and designed to give seniors an increased understanding of services available to them. on the North Island.

\$12,500 Project

Funding—Leveraged \$2,500 of Measuring Up and Age-Friendly monies for project



Tourism Forum

Co-Hosted Aboriginal Tourism information sessions with the Gwa'sala-'Nakwaxda'xw First Nation. This initiative was supported by our Community First Agreement.



Pitch– In, Community and Back Roads Clean Up

Completed annual Pitch-in and Spring Cleaning campaigns. Participants included local schools and service organizations — including the Ministry of Forests, and many local business owners and community members.



Website Redesign / Sectoral Profiles

Received a grant to complete research on Port Hardy's key economic sectors, including aquaculture, fishing, mining, logging/forestry and tourism, and new website. Used information to build an Economic Development component with a strong sectoral and trade focus. Funding also covered the translation of the Economic Development sections into French and Mandarin.

\$34,634 Project

Funding - ICCI: \$18,550; District \$16,084



Wind Farm

Created list of local suppliers and provided support, as requested, to International Power and Sea Breeze Power Corp. Held meetings between District staff and International Power and Seabreeze representatives to discuss project opportunities, goals and timelines. Project dialogue is ongoing.



Other Funded Projects Included:

Canada Day—Total Cost: \$4,200
Funder: Canadian Heritage, \$2000; District \$2,200

FILOMI Days Fireworks—\$6,000

Halloween Fireworks- \$1000

Other Supported Strategies:

- Coordinated Workforce Strategy.
- North Vancouver Island Tourism Association.
- Regional Economic Development Working Group.
- Local Working Group for Port Hardy Hospital.



Financial Services

Director of Financial Services

Deb Cilliperton

The Finance Department supports the District's Strategic Plan by providing financial and technological support for all the municipal services offered to our community. Our department advises in the areas of finance and information systems, provides support to all departments within our organization, liaises with intergovernmental organizations and complies with senior government policies and legislation and provides support and information to the public.

Finance

- Financial planning and reporting (internal and external).
- Transaction processing of revenues and expenditures.
- Management and investment of municipal funds.
- Internal controls.
- Purchasing policies and process.
- Debt management.
- Budget analysis.
- Billing and collection of property taxes and utilities.

Information Technology

- Maintain of the corporate network.
- System backups.
- Software maintenance and updates.
- Email, wireless and internet access.

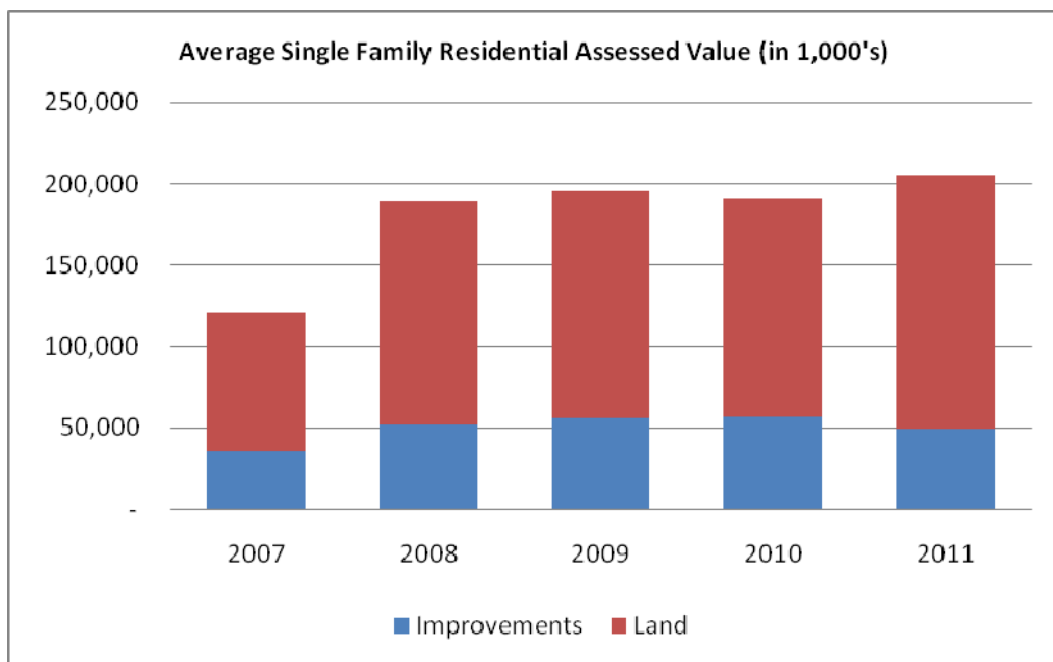


Taxable Property Assessments

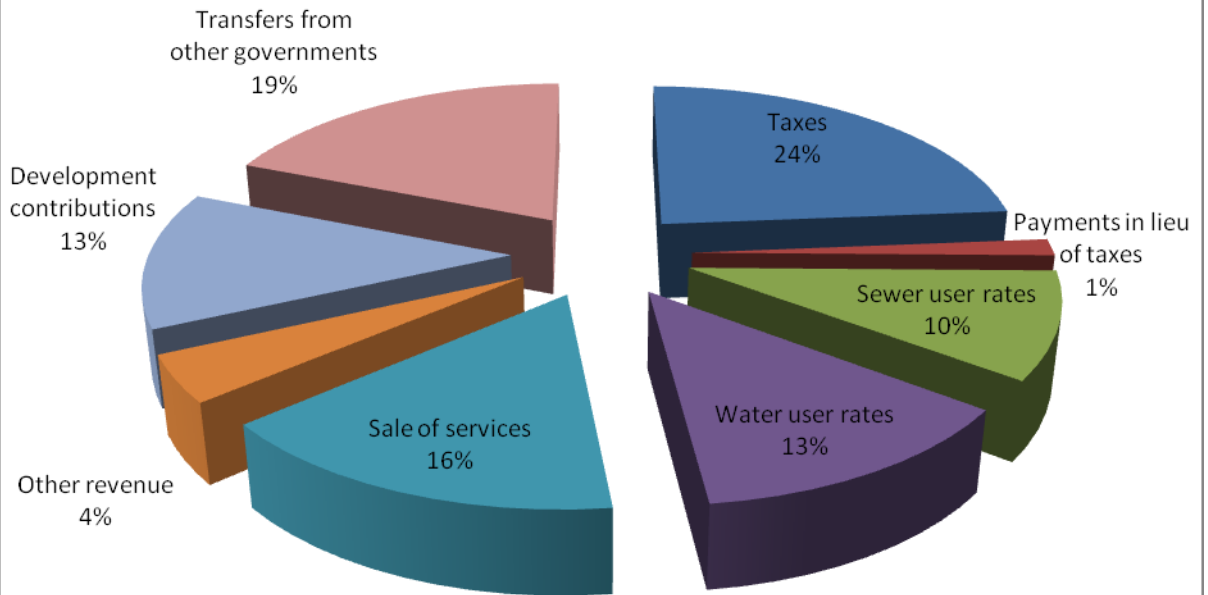
(in \$1,000's)	2011	2010	2009	2008	2007
Residential	\$ 256,961	\$ 242,241	\$ 226,487	\$ 224,438	\$ 178,374
Utilities	476	512	470	470	462
Light Industry	4,233	4,764	2,358	1,613	1,595
Business	57,242	57,948	54,994	55,351	52,205
Managed Forest	232	254	478	209	258
Recreation/Non Profit	409	425	314	313	307
	\$ 319,553	\$ 306,145	\$ 285,101	\$ 282,393	\$ 233,201
% change from prior year	4.38%	7.38%	0.96%	21.09%	21.09%

Average Single Family Residential

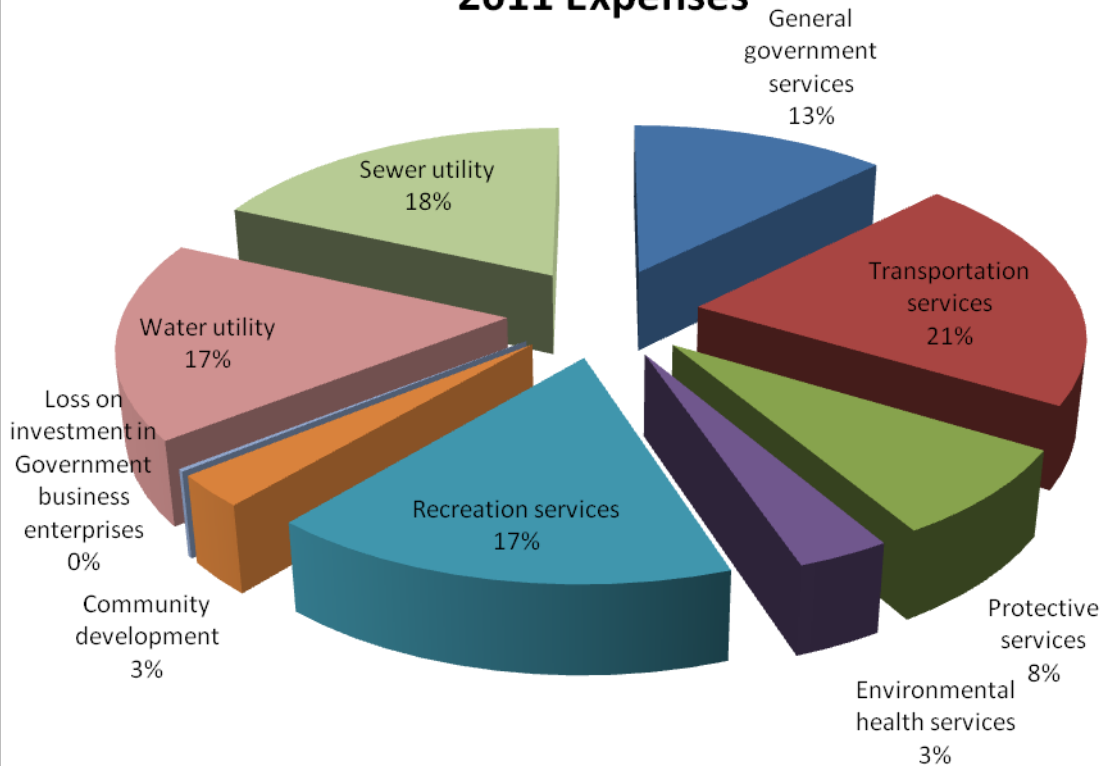
Assessment (in \$1,000's)	2011	2010	2009	2008	2007
Land	\$ 49,939	\$ 56,710	\$ 56,138	\$ 52,070	\$ 35,966
Improvements	155,592	134,499	138,985	137,552	85,215
	\$ 205,531	\$ 191,209	\$ 195,123	\$ 189,622	\$ 121,181
% change from prior year	7.49%	-2.01%	2.90%	56.48%	32.69%



2011 Revenues

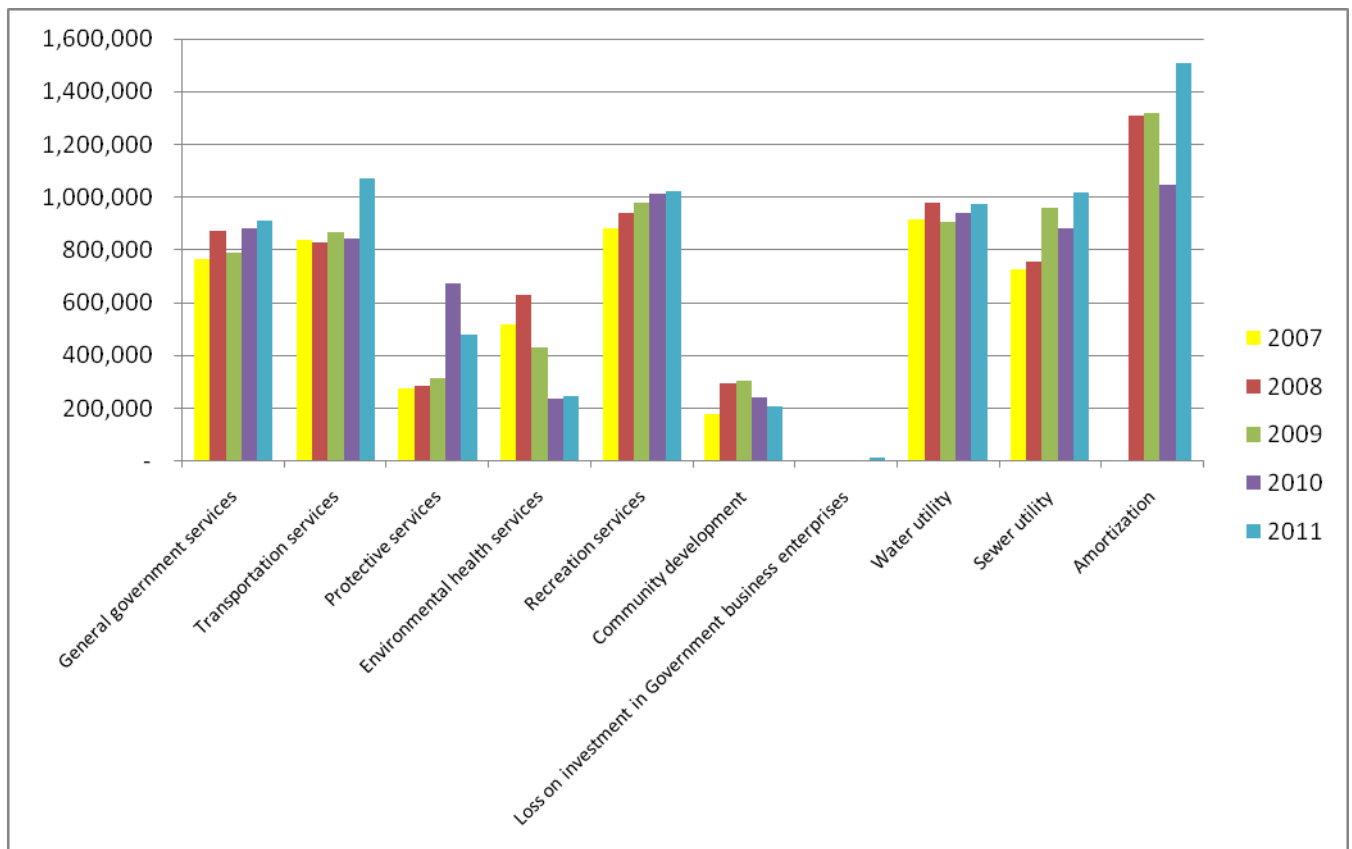


2011 Expenses



Expenses by Function

	2011	2010	2009	2008	2007
General government services	\$ 909,463	\$ 883,950	\$ 789,560	\$ 875,024	\$ 764,475
Transportation services	1,073,395	841,778	868,285	827,906	838,917
Protective services	479,210	672,646	314,181	285,303	276,575
Environmental health services	246,608	238,135	433,022	631,969	520,790
Recreation services	1,021,880	1,015,240	978,229	939,282	881,732
Community development	209,963	242,711	305,999	297,702	178,611
Loss on investment in Gov't business enterprises	16,538	-	-	-	-
Water utility	974,161	940,217	905,295	981,196	917,607
Sewer utility	1,017,776	884,485	962,318	754,547	727,241
Amortization	1,509,657	1,047,279	1,316,984	1,311,350	-
	\$ 7,458,651	\$ 5,719,162	\$ 5,556,889	\$ 5,592,929	\$ 5,105,948

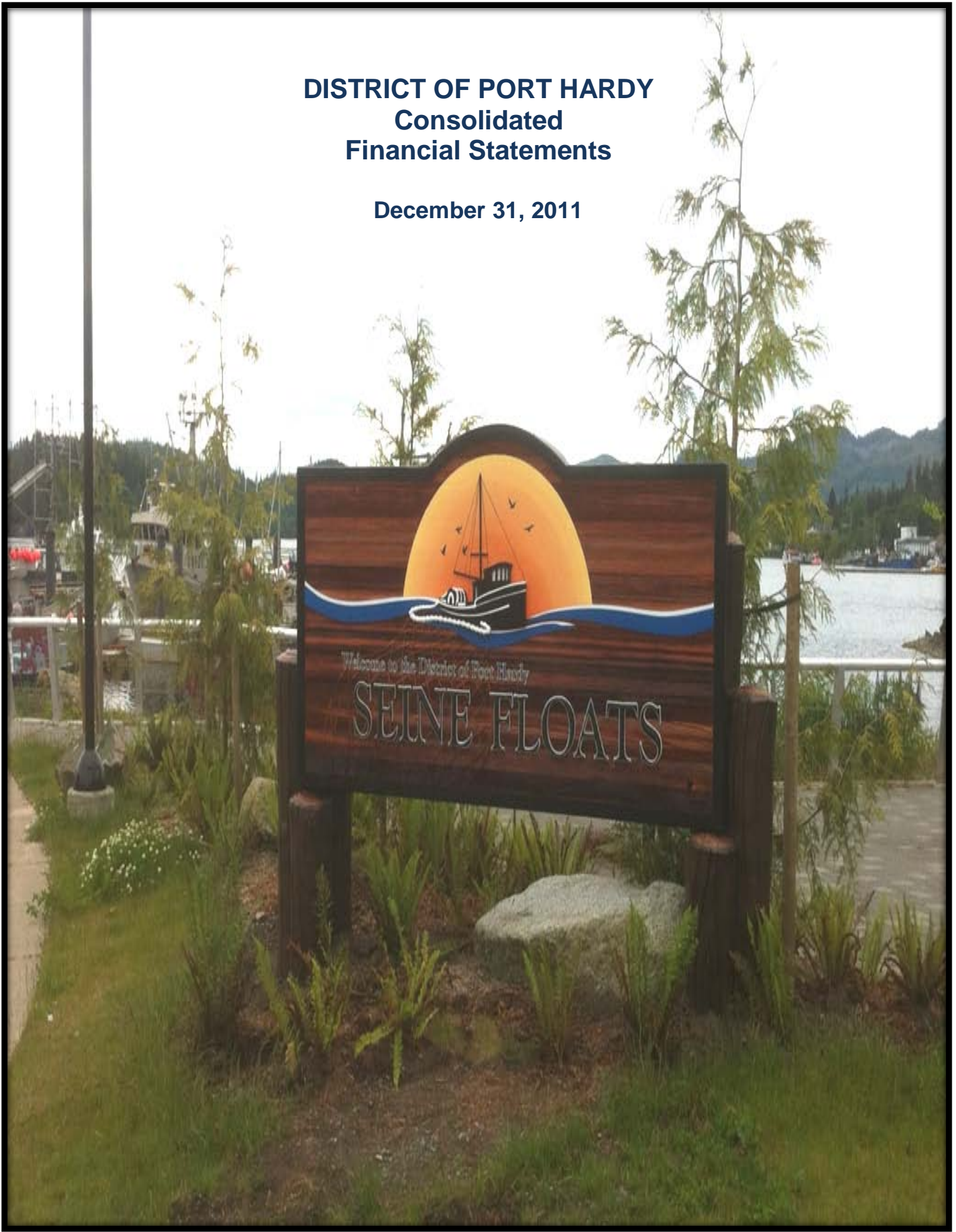


DISTRICT OF PORT HARDY
Schedule of Property Tax Permissive Exemptions
For year ended December 31, 2011

Organization	Total
Fort Rupert Curling Club	\$ 12,025
North Island Crisis and Counselling Centre Society	3,210
Pentecostal Assemblies of Canada	3,197
Port Hardy Baptist Church	1,027
Port Hardy Chamber of Commerce	3,349
Port Hardy Congregation Jehovah's Witnesses	1,149
Port Hardy Ecumenical Society	1,849
Port Hardy Heritage Society	4,192
Port Hardy Hospital Auxiliary	1,735
Rainbow Country Daycare Society	1,836
Royal Canadian Legion	1,978
Seventh Day Adventist Church	22,614
St. Bonaventure Catholic Church	1,549
Vancouver Island Health Authority	48,890
Grassroots Garden Society	343
	\$ 108,943

**DISTRICT OF PORT HARDY
Consolidated
Financial Statements**

December 31, 2011





THE DISTRICT OF PORT HARDY

2011 ELECTED OFFICIALS

Mayor B. Parnham

Councillor J. Dorward
Councillor J. Hemphill
Councillor A. Huddleston

Councillor R. Marcotte
Councillor N. Shaw
Councillor J. Tidbury

DISTRICT OFFICIALS

Chief Administrative Officer
Director of Financial Services
Director of Corporate Services
Royal Canadian Mounted Police
Fire Chief

R. Davidge
D. Clipperton
G. Le Gal
Staff Sgt. A. Mallard
S. Nickerson

MUNICIPAL AUDITORS

Meyers Norris Penny LLP

BANKERS

Bank of Nova Scotia

DISTRICT OF PORT HARDY
Index to Consolidated Financial Statements
For the year ended December 31, 2011

Managements' Report

Auditors' Report

Financial Statements

Statement A	Consolidated Statement of Financial Position
Statement B	Consolidated Statement of Operations
Statement C	Consolidated Statement of Change in Net Financial Assets
Statement D	Consolidated Statement of Cash Flows
	Notes to the Consolidated Financial Statements

Schedules

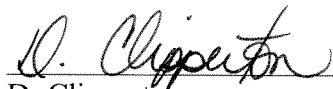
Schedule 1	Consolidated Schedule of Segmented Disclosure
Schedule 2	Consolidated Schedule of Tangible Capital Assets
Schedule 3	Consolidated Statement of Accumulated Surplus

The accompanying financial statements are the responsibility of management. To ensure their integrity, objectivity and reliability, the statements have been prepared in accordance with the recommendations of the Public Sector Accounting Board, which are generally accepted accounting principles for British Columbia municipalities and are outlined in Note 1 to the Consolidated Statements. Some amounts on these statements are based on management's best estimates and careful judgment.

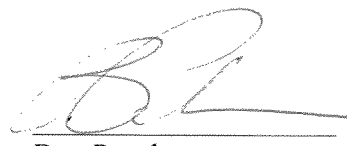
Management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly.

Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Council. The Council reviews internal financial statements on a monthly basis and external Audited Financial Statements yearly.

The external auditors, Meyers Norris Penny LLP, are appointed by Council to conduct an independent examination in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the District's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to financial records and management of the District of Port Hardy.



D. Clipperton
Chief Financial Officer



Bev Parnham
Mayor

Independent Auditors' Report

To the Mayor and Council of the District of Port Hardy:

We have audited the accompanying consolidated financial statements of the District of Port Hardy, which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies, schedules and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2011, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Campbell River, British Columbia

MNP LLP

Chartered Accountants

May 22, 2012



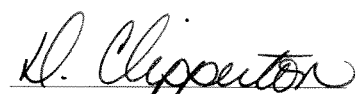
ACCOUNTING > CONSULTING > TAX

201, 990 CEDAR STREET, CAMPBELL RIVER, BC V9W 7Z8
1.800.450.9977 P: 250.287.2131 F: 250.287.2134 mnp.ca

DISTRICT OF PORT HARDY
Consolidated Statement of Financial Position
As at December 31, 2011

	2011	2010
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 1,008,248	\$ 356,250
Accounts receivable (Note 3)	4,172,456	6,635,281
Loan receivable (Note 20)	38,333	-
Tax sale properties	78,946	5,822
Land held for resale	506	506
	<u>5,298,489</u>	<u>6,997,859</u>
Financial Liabilities		
Accounts payable and other liabilities (Note 4)	730,088	2,064,988
Tax sale properties deposits	56,647	20,414
Performance deposits and bonds (Note 5)	18,500	303,326
Deficit in Government business enterprise (Note 20)	16,538	-
Deferred revenue (Note 6)	530,913	480,095
Capital leases (Note 8)	1,377,593	960,831
Long-term debt (Note 9)	1,292,616	1,479,998
	<u>4,022,895</u>	<u>5,309,652</u>
Net Financial Assets	1,275,594	1,688,207
Non-financial Assets		
Tangible capital assets (Note 10)	40,892,777	38,491,144
Inventory	81,344	88,669
Prepays	15,990	14,960
	<u>40,990,111</u>	<u>38,594,773</u>
Accumulated Surplus (Schedule 3)	<u>\$ 42,265,705</u>	<u>\$ 40,282,980</u>

Commitments and Contingencies (Note 17)



D. Clipperton
 Director of Financial Services

Consolidated Statement of Operations
For the Year Ended December 31, 2011

	(Note 13)		
	2011	2011	2010
	Actual	Budget	Actual
		Unaudited	
Revenue			
Taxes	\$ 2,236,667	\$ 2,218,882	\$ 2,149,268
Payments in lieu of taxes	147,034	151,956	143,367
Sewer user rates	938,523	1,022,280	895,435
Water user rates	1,222,373	1,374,300	1,241,915
Sale of services	1,480,125	1,259,007	1,099,623
Other revenue	413,120	298,938	359,587
Development contributions	1,213,698	3,015,500	574,750
Transfers from other governments	1,789,836	1,661,628	6,559,462
	<u>9,441,376</u>	<u>11,002,491</u>	<u>13,023,407</u>
Expenses			
General government services	940,579	866,114	864,643
Transportation services	1,568,976	1,560,086	1,277,462
Protective services	582,576	412,421	770,934
Environmental health services	246,608	219,261	238,135
Recreation services	1,233,330	1,236,131	1,202,041
Community development	209,963	280,619	242,711
Loss on investment in Government business enterprises (Note 20)	16,538	-	-
Water utility	1,301,013	1,267,675	1,255,252
Sewer utility	1,359,068	1,336,780	1,279,856
	<u>7,458,651</u>	<u>7,179,087</u>	<u>7,131,034</u>
Annual Surplus	<u>\$ 1,982,725</u>	<u>\$ 3,823,404</u>	<u>\$ 5,892,373</u>
Accumulated surplus at beginning of year	40,282,980	\$ 40,282,980	34,390,607
Accumulated surplus end of year	<u>\$ 42,265,705</u>	<u>\$ 44,106,384</u>	<u>\$ 40,282,980</u>

DISTRICT OF PORT HARDY
Consolidated Statement of Change in Net Financial Assets
As at December 31, 2011

	2011	(Note 13) Budget Unaudited 2011	2010
Annual Surplus	\$ 1,982,725	\$ 3,823,404	\$ 5,892,373
Acquisition of tangible capital assets	(2,723,521)	(2,469,700)	(7,472,284)
Amortization of tangible capital assets	1,509,655	1,470,000	1,347,962
Gain/loss on sale of tangible capital assets	20,910	-	-
Proceeds on sale of tangible capital assets	5,021	-	-
Development tangible capital asset contribution	(1,213,698)	(3,015,500)	(574,750)
	<u>(2,401,633)</u>	<u>(4,015,200)</u>	<u>(6,699,072)</u>
Acquisition of supplies inventories	-	-	(15,157)
Acquisition of prepaid expense	(15,990)	-	(14,960)
Consumption of supplies inventories	7,325	-	22,731
Use of prepaid expense	14,960	-	5,255
	<u>6,295</u>	<u>-</u>	<u>(2,131)</u>
Change in net financial assets	(412,613)	(191,796)	(808,830)
Net financial assets beginning of year	1,688,207	1,688,207	2,497,037
Net financial assets end of year	<u>\$ 1,275,594</u>	<u>\$ 1,496,411</u>	<u>\$ 1,688,207</u>

DISTRICT OF PORT HARDY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2011

Statement D

	2011	2010
Cash Provided By (Used In)		
Operating Activities		
Annual Surplus	\$ 1,982,725	\$ 5,892,373
Increase (Decrease) in Non Financial Assets		
Amortization	1,509,655	1,347,960
Gain on disposal of assets	(40,000)	(3,000)
Loss on disposal of assets	20,910	-
Developer tangible capital asset contribution	(1,213,698)	-
Change in inventory	7,325	7,574
Change in operating lease to capital lease	-	13,444
Change in prepaids	(1,030)	(9,705)
	<u>2,265,887</u>	<u>7,248,646</u>
(Increase) Decrease in Financial Assets and Liabilities		
Change in accounts receivable	2,462,825	(5,077,766)
Change in loan receivable	(38,333)	-
Change in accounts payable	(1,334,901)	1,234,566
Change in tax sale properties	(73,124)	126,447
Change in tax sale deposits	36,233	(207,226)
Change in performance deposits and bonds	(284,826)	293,326
Change in Government business enterprise	16,538	-
Change in actuarial	(20,800)	(13,593)
Change in deferred revenue	50,818	(778,080)
Cash provided by operating transactions	<u>3,080,317</u>	<u>2,826,320</u>
Capital Activities		
Acquisition of tangible capital assets	(1,993,509)	(8,057,476)
Proceeds on sale of tangible capital assets	5,021	-
	<u>(1,988,488)</u>	<u>(8,057,476)</u>
Financing Activities		
Capital lease repaid	(273,249)	(167,723)
Debenture debt repaid	(166,582)	(166,582)
	<u>(439,831)</u>	<u>(334,305)</u>
Net increase (decrease) in cash position	651,998	(5,565,461)
Cash, beginning of year	356,250	5,921,711
Cash, end of year	<u>\$ 1,008,248</u>	<u>\$ 356,250</u>
Represented by		
Cash	\$ 157,143	\$ 164,435
Investments	851,105	191,815
	<u>\$ 1,008,248</u>	<u>\$ 356,250</u>
Supplemental information		
Interest paid	\$ 140,905	\$ 111,469
Interest received	\$ 20,595	\$ 47,225

The accompanying notes and schedules are an integral part of these financial statements

DISTRICT OF PORT HARDY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2011

The District of Port Hardy was incorporated in 1966 under the provisions of the *British Columbia Municipal Act*. Its principal activities are the provision of local government services to the residents of the Municipality. These services include general government administration, by-law enforcement, planning and land use, building inspection, fire protection, parks and recreation, water distribution and sewer collection, wastewater disposal, garbage and recycling services and road and street maintenance.

1. Significant Accounting Policies:

a) Basis of Presentation

The District of Port Hardy follows accounting principles accepted for British Columbia municipalities and applies these principles consistently. The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). The consolidated Financial Statements reflect the combined results and activities of the reporting entity which is comprised of the General, Water and Sewer, Operating, Capital and Reserve funds. Inter-fund transactions have been eliminated on consolidation.

b) Revenue Recognition

Sources of revenue are recorded on the accrual basis and include revenue in the period in which the transaction or events occurred. Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year. Sale of services and user fee revenues are recognized when the service or product is rendered by the District. Capital grants and developer contributions are recognized when the related expenditure is incurred. Amounts received in advance of services being rendered are recorded as deferred revenue until the obligations that led to the collection of funds has been discharged.

c) Inventory

Inventory held for resale which includes property and chattels are recorded at accrued property tax revenue, interest, penalties, cost of chattels and carrying costs less a provision for potential shortfall of proceeds from a sale or conversion. Inventory for resale is recorded at lower of cost or net realizable value as a financial asset. Inventory of supplies are recorded at the lower of cost or net realizable value as a non-financial asset.

d) Financial Instruments

The Municipality's financial instruments consist of cash, cash equivalents, accounts receivable, loan receivable, accounts payable, other liabilities, performance deposit and bonds and long-term debt. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments.

e) Accrued Employee Benefits

Accrued employee benefits include an allowance for sick leave, vacation and severance benefits. These benefits are based on obligations as determined by collective agreements and contractual arrangements. Allowances for sick leave and vacation entitlement are recorded in the year in which they are earned. Severance benefits are recorded in the year in which the benefits are negotiated.

DISTRICT OF PORT HARDY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2011

f) **Use of Estimates**

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the period. Significant areas requiring estimates include the determination of collectability of accounts receivable, accrued payroll liabilities, tangible capital assets and provisions for contingencies. Accounts receivable are stated after evaluation of their collectability. Amortization is based on the estimated useful lives of tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

g) **Tangible Capital Assets**

Tangible capital assets are recorded at cost, net of disposals, write-downs and amortization. Tangible capital asset expenses exceeding the thresholds per major category are capitalized. The average useful life is applied straight line to calculate amortization. Amortization is taken at one-half of the calculated amount in the year of acquisition and/or disposal.

<u>Asset</u>	<u>Average Useful Life</u>
Land	Indefinite
Land Improvements	10 - 40 years
Buildings	20 - 80 years
Equipment	5 – 25 years
Engineering Structures	
Roads	10 – 60 years
Water	8 – 100 years
Sewer	8 – 100 years

Carrying costs directly attributable to the acquisition, construction or development activity are capitalized to the point in time the asset is substantially complete and ready for use. Contributed tangible capital assets are recorded at their fair value on the date of contribution. Assets under construction are not amortized until the asset is in use.

h) **Recent Accounting Pronouncements**

In February 2010, the Public Sector Accounting Board (PSAB) issued PS 3510 *Tax Revenue* to provide guidance on how to account for and report tax revenue in Municipal financial statements. This section establishes recognition, measurement, presentation and disclosure requirements for tax revenue. PS 3150 is effective for fiscal years beginning on or after April 1, 2012. The District does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

In June 2010, the Public Sector Accounting Board issued PS 3260 *Liability for contaminated sites* to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements. PS 3260 is effective for fiscal years beginning on or after April 1, 2014. The District has not yet determined the effect of the new section on its consolidated financial statements.

DISTRICT OF PORT HARDY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2011

In March 2011, the Public Sector Accounting Board replaced and revised existing section PS 3410 *Government Transfers* with a newly amended section PS 3410. Newly issued PS 3410 establishes standards on how to account for and report government transfers to individuals, organization and other governments from both a transferring government and a recipient government perspective. This section permits a recipient government to recognize government transfers as revenue when the transfer is authorized by the transferring government, unless the transfer creates a liability for the recipient. A liability is created as a result of the recipient government not yet meeting eligibility criteria or the existence of stipulations in the transfer agreement. When a government transfer results in recognition of a liability, revenue is recognized by a recipient government as the liability is settled. A transferring government recognizes an expense when the transfer is authorized and the recipient has met all eligibility criteria. Newly revised and issued PS 3410 may be applied prospectively or retroactively and is effective for fiscal years beginning on or after April 1, 2012; however, earlier adoption is encouraged. PS 3410 will be applied prospectively and the District does not expect the adoption of the newly issued section to have a material impact on its consolidated financial statements.

2. Cash and Investments

	<u>2011</u>	<u>2010</u>
General Revenue Fund	\$ 996,779	\$ 344,898
Reserve Accounts	11,469	11,352
	<u>\$ 1,008,248</u>	<u>\$ 356,250</u>

The above balances include Municipal Finance Authority money market account \$851,104 (2010 - \$191,815), carried at cost, which is also equal to market value.

3. Accounts Receivable

	<u>2011</u>	<u>2010</u>
Property taxes	\$ 620,281	\$ 606,786
Other Governments	2,403,059	4,882,266
Trade and other	1,435,700	1,381,233
	<u>4,459,040</u>	<u>6,870,285</u>
Less allowance for doubtful accounts	(286,584)	(235,004)
	<u>\$ 4,172,456</u>	<u>\$ 6,635,281</u>

DISTRICT OF PORT HARDY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2011

4. Accounts Payable and accrued liabilities

	2011	2010
Other Governments	\$ 152,745	\$ 91,839
Accrued wages and benefits	218,377	206,148
Trade and other	358,966	1,767,001
	<u>\$ 730,088</u>	<u>\$ 2,064,988</u>

5. Performance deposits and bonds

	2011	2010
Performance deposits	\$ 10,000	\$ 10,000
Other deposits	8,500	293,326
	<u>\$ 18,500</u>	<u>\$ 303,326</u>

6. Deferred Revenue

	2011	2010
Prepaid taxes	39,640	24,823
Prepaid fees and charges	48,548	54,857
Federal gas tax and other	442,725	400,415
	<u>\$ 530,913</u>	<u>\$ 480,095</u>

7. Federal Gas and Public Transit Funds

Gas Tax funding is provided by the Government of Canada and the use of the funding is restricted by the terms of a funding agreement between the District and the Union of British Columbia Municipalities. Gas Tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

	2011	2010
Federal Gas Tax Agreement funds		
Opening balance of unspent funds	\$ 333,973	\$ 486,151
Add: Amount received during the year	204,071	204,089
Interest earned	3,966	3,733
Less: Amount spent on eligible projects	(172,850)	(360,000)
Closing balance of unspent funds	<u>\$ 369,160</u>	<u>\$ 333,973</u>

DISTRICT OF PORT HARDY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2011

8. Capital Leases

The Municipality leases fire and rescue equipment and a water system under capital leases. The economic substance of the leases is that the Municipality is financing the acquisition of the assets through the leases and accordingly, they are recorded in the Municipality's tangible capital assets and liabilities.

Future minimum lease payments under the capital leases together with the balance of the obligations due:

2012	359,903
2013	298,810
2014	298,810
2015	455,262
2016	11,480
Total minimum lease payments	<u>1,424,265</u>
Less: amount representing interest	<u>(46,672)</u>
Obligations under capital lease	<u><u>\$ 1,377,593</u></u>

Total interest expense during the year was \$27,980 (2010 \$16,779) and interest rates ranged from 2.75% to 5.25% (2.75% to 5.25% in 2010).

9. Long-Term Debt

	Balance, Beginning of year	Additions	Principal Repayments	Balance, end of year
Sewer Fund				
MFA issue 102	\$1,479,998	\$ -	(\$187,382)	<u><u>\$1,292,616</u></u>

The following represents the principal repayments over the next five years:

2012	\$166,582
2013	166,582
2014	166,582
2015	166,582
2016	166,582
	<u><u>\$832,910</u></u>

This long-term debt is payable to the Municipal Finance Authority (MFA). The debt is repayable at \$166,582 plus interest (4.82%) per year.

DISTRICT OF PORT HARDY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2011

10. Tangible Capital Assets (Schedule 2)

	<u>2011</u>	<u>2010</u>
Land and Improvements	\$ 4,060,267	\$ 3,980,728
Buildings	4,134,317	4,249,992
Furniture and Equipment	25,850	47,253
Vehicles and Machinery	1,759,469	1,568,794
Computer Hardware and software	2,909	238
Engineering Structures		
Roads	13,185,009	12,048,499
Water	6,990,535	6,100,139
Sewer	10,734,421	10,495,501
	<u>\$ 40,892,777</u>	<u>\$ 38,491,144</u>

The cost of capital assets under construction in 2011 is \$4,596,254 (\$6,824,309 in 2010).

The net book value of leased assets in 2011 is \$1,154,007 (\$791,095 in 2010)

Tangible capital assets include land under the District's roads, which is disclosed at a nominal amount. Art and historic treasures are displayed at various District facilities and consist of painting, historical photographs, sculptures, carvings and other cultural artifacts. These items have not been included in tangible capital assets due to the inability of estimating future benefits associated with such property.

11. Pension Liability

The Municipality and its employees contribute to the Municipal Pension Plan (Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 173,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 contributors from local governments.

The latest valuation as at December 31, 2009 indicated an unfunded liability of \$1.024 billion for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan

The District of Port Hardy paid \$102,378 (2010-\$98,153) for employer contributions while employees contributed \$83,665 (2010 - \$77,806) to the plan in fiscal 2011.

DISTRICT OF PORT HARDY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2011

12. Contractual Obligations

As a part of its ongoing operations, the Municipality is involved with projects that require it to enter into contractual obligations. At December 31, 2011, the significant obligations are:

- Payments to EPCOR Water Services Inc. for \$1,141,000 annually (with allowance for inflationary adjustments) for 17 years for water treatment/distribution and wastewater collection/treatment services beginning in 2002.

13. Budget Figures

The budget amounts presented throughout these financial statements are based on the Five Year Financial Plan bylaw adopted by Council on May 10, 2011, except in regard to budget amounts for amortization and tangible capital assets.

Adjustments to 2011- 2015 Financial Plan Annual Surplus

Annual surplus, as adopted May 10, 2011	\$ nil
Add:	
Reversal of capital asset purchases	2,469,700
Reversal of debt principal repayment	492,074
Interfund transfers	981,630
Less:	
Debenture debt issue	<u>(120,000)</u>
Annual surplus restated	<u>\$3,823,404</u>

14. Collections for Other Governments

The District is required to collect taxes on behalf of and transfer these amounts to the governments and/or its agencies noted below. These sums are not included in the schedules to these statements.

	<u>2011</u>	<u>2010</u>
School District 85	\$ 1,364,597	\$ 1,344,058
Mount Waddington Regional District	431,818	389,714
Mount Waddington Regional Hospital District	148,476	125,435
B.C. Assessment Authority	29,079	29,993
Municipal Finance Authority	85	83
Provincial Government - Police Tax	156,463	146,632
	<u>\$ 2,130,518</u>	<u>\$ 2,035,915</u>

15. Trust Funds

The District operates the cemetery and maintains a cemetery perpetual care fund in accordance with the Cremation, Interment and Funeral Services Act. The trust fund assets and liabilities are not included in the consolidated financial statements. At December 31, 2011, the balance of funds held in trust was \$29,753 (2010 - \$28,961).

DISTRICT OF PORT HARDY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2011

The District operates the Fisherman's Wharf for the Department of Fisheries and Oceans and acts as project manager for the capital items constructed. The assets and liabilities of the operations are not included in the consolidated financial statements. At December 31, 2011, the District did not hold in trust funds for DFO (2010 - \$nil).

16. Payroll Benefits

Full-time permanent employees receive their full sick bank up to 60 days upon retirement or one third upon termination. There are no additional liabilities accrued for these amounts as they are included in the sick leave and vacation liability accounts. Specified officers of the District are entitled to severance benefits. This liability is recorded as the severance benefits are negotiated. The reported liability reflects the likelihood that employees will become eligible for this benefit.

Vacation liability at December 31, 2011 is \$21,820 (2010 - \$22,417).
Sick leave liability at December 31, 2011 is \$95,514 (2010 - \$82,576).
Severance liability at December 31, 2011 is \$32,963 (2010 - \$29,619).

17. Commitments and Contingencies

- a) The District is responsible, as a member of the Mount Waddington Regional District, for its portion of any operating deficits or long-term debt related function in which it participates.
- b) Each year the District is involved in certain legal actions. Financial implications of potential claims against the District, resulting from such litigation and not covered by insurance, are accrued to the extent that amounts can be reasonably estimated. Otherwise, such claims are recognized in the year in which a definitive obligation is determined.
- c) The District is a subscribed member of the Municipal Insurance Association of British Columbia as provided by section 3.02 of the Insurance Act of the Province of British Columbia ("The Exchange"). The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange Agreement, the District is assessed a premium and a specific deductible for claims is based on population. The obligation of the District with respect to the Exchange and/or contract and obligation entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several, not joint and several. The District irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other subscriber may suffer.

18. Deposit and Reserve – Municipal Finance Authority

The District issues certain of its debt instruments through the Municipal Finance Authority of *British Columbia (the Authority)*. As a condition of these borrowings and as required by legislation, a debt reserve fund is to be established in the amount of one-half the average annual installment of principal and interest as set out in the agreement(s) entered into. The reserve is funded in part by cash, being the withholding of 1% of the total issue proceeds, and the remainder being funded by a demand note whereby the District may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature and are not reflected in the accounts of the District.

Details of the cash deposits and contingent demand notes on hand are:

	Cash Deposits	Contingent Demand Notes
Sewer Fund		
2010	<u>\$22,277</u>	<u>\$111,874</u>
2011	<u>\$23,036</u>	<u>\$111,874</u>

19. Segmented Information

For management reporting purposes the District’s operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulation, restriction or limitations. District services are provided by departments and their activities are reported in the funds. Certain departments that have been separately disclosed in the segmented information on Schedule 1, along with the services they provide, are as follows:

Protection

Protection is comprised of the Volunteer Fire Department, the Emergency Preparedness coordinator, building inspection and bylaw enforcement.

Community Development

The Community development department provides economic development services. These services consist of downtown revitalization, grant proposals and new business and development.

Recreation & Culture

The Recreation and Culture department provides recreation and leisure services such as fitness and aquatic programs, the library and the museum.

Waste Management

This service is for the collection and disposal of solid waste and maintenance of the recycling depot.

Public Works

The Public Works department delivers the municipal services related to maintenance of the roads, sidewalks, parks, open space, street lighting and storm drains.

General Government

Provide services related to corporate and legislative administration, governance, financial management, human resources and information technology.

DISTRICT OF PORT HARDY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2011

Water

The water department is responsible for the water treatment plant and distribution system.

Sewer

The waste water department is responsible for the treatment and collection system for waste water.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The General Revenue Fund reports on municipal services that are funded by taxation. The taxes are apportioned to the fund services based on the net surplus.

20. Investment in Government Businesses

The investment in the North Island Community Forest Limited Partnership (NICFLP) is reported as a government business partnership and North Island Community Forest Ltd. (NICF LTD) as a government business enterprise. These businesses are accounted for using the modified equity method. Under this method, the government businesses' accounting principles are not adjusted to conform with those of the District and inter-corporate transactions are not eliminated.

The condensed supplementary financial information of The North Island Community Forest Limited Partnership is as follows:

	2011
<hr/>	
Financial Position	
Current and other assets	<u>\$127,485</u>
Current and other liabilities	177,050
Partners' capital	<u>(49,565)</u>
Net assets	<u>\$127,485</u>
Results of Operations	
Revenues	\$ 9,678
Expenses	<u>74,293</u>
Net loss	<u>\$ (64,615)</u>

During the year the District loaned the NICFLP \$38,333. The loan is unsecured, non-interest bearing and due on or before December 31, 2015.

Summary of investment in Government Businesses	<u>2011</u>
NICFLP	\$16,323
NICF LTD.	<u>215</u>
	<u>\$16,538</u>
Summary of results of operations	
NICFLP	\$ (21,323)
NICF LTD.	(215)
Other adjustments	<u>5,000</u>
	<u><u>\$(16,538)</u></u>

DISTRICT OF PORT HARDY
Notes to the Consolidated Financial Statements
Year Ended December 31, 2011

21. Comparative Figures

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

DISTRICT OF PORT HARDY
Consolidated Schedule of Segmented Disclosure
For the year ended December 31, 2011

Schedule 1
(Note 19)
Page 1 of 2

	General Government		Transportation Services		Protection		Environmental Health Services		Recreation and Culture	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues										
Taxation	\$ 2,236,667	\$ 2,149,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payments in lieu of taxes	147,034	143,367	-	-	-	-	-	-	-	-
Sale of Service	-	-	234,860	233,802	34,443	47,300	269,038	252,239	207,649	195,836
Government Transfers	707,694	549,427	642,764	3,655,803	-	272,594	-	-	4,278	46,687
Development contributions	-	-	720,720	387,750	-	-	-	-	-	-
Actuarial recognized	-	-	-	-	-	-	-	-	-	-
Sundry	162,610	136,719	80,096	37,958	58,289	64,118	3,032	3,223	33,212	35,209
	<u>3,254,005</u>	<u>2,978,781</u>	<u>1,678,440</u>	<u>4,315,313</u>	<u>92,732</u>	<u>384,012</u>	<u>272,070</u>	<u>255,462</u>	<u>245,139</u>	<u>277,732</u>
Expenses										
Salaries & benefits	697,121	725,647	356,290	327,612	107,131	125,402	8,149	7,974	554,857	532,771
Goods & services	170,617	84,506	338,434	320,144	155,357	162,254	109,462	112,402	260,635	278,937
Contracted services	41,725	23,796	351,132	196,466	211,001	384,990	128,997	117,759	204,625	203,532
Interest	-	-	9,013	478	5,721	1,481	-	-	1,763	-
Loss Gov't business enterprise	-	-	-	-	-	-	-	-	-	-
Loss on disposal of assets	-	-	18,526	-	-	-	-	-	-	-
Amortization	31,116	30,694	495,581	432,762	103,366	96,807	-	-	211,450	186,801
	<u>940,579</u>	<u>864,643</u>	<u>1,568,976</u>	<u>1,277,462</u>	<u>582,576</u>	<u>770,934</u>	<u>246,608</u>	<u>238,135</u>	<u>1,233,330</u>	<u>1,202,041</u>
Net Surplus (Deficit)	\$ 2,313,426	\$ 2,114,138	\$ 109,464	\$ 3,037,851	\$ (489,844)	\$ (386,922)	\$ 25,462	\$ 17,327	\$ (988,191)	\$ (924,309)

DISTRICT OF PORT HARDY
Consolidated Schedule of Segmented Disclosure
For the year ended December 31, 2011

Schedule 1
(Note 19)
Page 2 of 2

	Community Development		Water		Sewer		Consolidated Actual	Budget Unaudited	Consolidated Actual	Budget Unaudited
	2011	2010	2011	2010	2011	2010	2011	2011	2010	2010
Revenues										
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,236,667	\$ 2,218,882	\$ 2,149,268	\$ 2,103,172
Payments in lieu of taxes	-	-	-	-	-	-	147,034	151,956	143,367	126,392
Sale of Service	-	-	1,432,653	1,368,866	1,462,378	1,138,929	3,641,021	3,655,587	3,236,972	3,340,690
Government Transfers	116,246	116,002	-	-	318,854	1,918,949	1,789,836	1,661,628	6,559,462	4,369,812
Development contributions	-	-	492,978	74,000	-	113,000	1,213,698	3,015,500	574,750	-
Actuarial recognized	-	-	-	-	20,800	13,593	20,800	-	13,593	-
Sundry	27,578	41,823	14,592	13,905	12,911	13,040	392,320	298,938	345,995	300,660
	<u>143,824</u>	<u>157,825</u>	<u>1,940,223</u>	<u>1,456,771</u>	<u>1,814,943</u>	<u>3,197,511</u>	<u>9,441,376</u>	<u>11,002,491</u>	<u>13,023,407</u>	<u>10,240,726</u>
Expenses										
Salaries & benefits	54,540	69,313	3,978	1,345	222	-	1,782,288	1,733,263	1,790,064	1,970,562
Goods & services	94,036	147,012	96,493	106,291	116,131	110,798	1,341,165	1,373,990	1,322,344	1,156,721
Contracted services	61,387	26,386	849,712	832,582	793,222	773,688	2,641,801	2,455,587	2,559,199	2,416,444
Interest	-	-	20,084	14,820	104,324	94,690	140,905	146,247	111,469	128,601
Loss Gov't business enterprise	16,538	-	-	-	-	-	16,538	-	-	-
Loss on disposal of assets	-	-	3,895	-	3,878	-	26,299	-	-	-
Amortization	-	-	326,851	300,214	341,291	300,680	1,509,655	1,470,000	1,347,958	1,340,000
	<u>226,501</u>	<u>242,711</u>	<u>1,301,013</u>	<u>1,255,252</u>	<u>1,359,068</u>	<u>1,279,856</u>	<u>7,458,651</u>	<u>7,179,087</u>	<u>7,131,034</u>	<u>7,012,328</u>
Net Surplus (Deficit)	\$ (82,677)	\$ (84,886)	\$ 639,210	\$ 201,519	\$ 455,875	\$ 1,917,655	\$ 1,982,725	\$ 3,823,404	\$ 5,892,373	\$ 3,228,398

DISTRICT OF PORT HARDY
Consolidated Statement of Tangible Capital Assets
For the year ended December 31, 2011

Schedule 2

	Land & Improvements	Buildings	Furniture & Equipment	Vehicles & Machinery	Computer Hardware/ Software	Engineering Structures			Total	2010
						Roads	Water	Sewer		
Cost										
Opening Balance	\$ 5,298,028	\$ 9,534,229	\$ 394,593	\$ 3,623,459	\$ 135,250	\$ 22,112,038	\$ 11,472,593	\$ 14,825,953	\$ 67,396,143	59,374,609
Add: Additions	22,950	83,602	-	390,065	-	1,447,124	1,166,824	455,520	3,566,085	2,098,592
Add: Construction-in-progress	118,194	23,572	2,500	-	2,908	41,441	54,317	128,201	371,133	5,948,442
Less: Disposals	-	(28,499)	-	(268,374)	-	(51,370)	(23,425)	(11,080)	(382,748)	(25,500)
Closing Balance	5,439,172	9,612,904	397,093	3,745,150	138,158	23,549,233	12,670,309	15,398,594	70,950,613	67,396,143
Accumulated Amortization										
Opening Balance	1,317,300	5,284,237	347,340	2,054,665	135,012	10,063,539	5,372,454	4,330,452	28,904,999	27,582,537
Add: Amortization	61,605	204,323	23,903	199,390	237	352,055	326,850	341,292	1,509,655	1,347,962
Less: Accum Amortization on Disposals	-	(9,973)	-	(268,374)	-	(51,370)	(19,530)	(7,571)	(356,818)	(25,500)
Closing Balance	1,378,905	5,478,587	371,243	1,985,681	135,249	10,364,224	5,679,774	4,664,173	30,057,836	28,904,999
Net Book Value for year ended December 31, 2011	\$ 4,060,267	\$ 4,134,317	\$ 25,850	\$ 1,759,469	\$ 2,909	\$ 13,185,009	\$ 6,990,535	\$ 10,734,421	\$ 40,892,777	\$ 38,491,144

DISTRICT OF PORT HARDY
Consolidated Statement of Accumulated Surplus
As at December 31, 2011

	<u>2011</u>	<u>2010</u>
Surplus		
Invested in tangible capital assets	\$ 38,222,568	\$ 36,050,315
Operating funds	2,558,220	2,660,085
	<u>40,780,788</u>	<u>38,710,400</u>
Reserves		
Buildings	133,102	131,738
Computers	20,088	19,882
Equipment replacement	200,461	301,284
General capital works	208,583	206,446
Park development	37,294	36,912
Recreation facilities	135,646	134,256
Sidewalks and roads	273,407	270,606
Tax sale	16,468	16,299
	<u>1,025,049</u>	<u>1,117,423</u>
Water Reserve Fund		
Water capital works	155,680	154,085
Sewer Reserve Fund		
Sewer capital works	304,188	301,072
	<u>1,484,917</u>	<u>1,572,580</u>
Accumulated Surplus, End Of Year	<u>\$ 42,265,705</u>	<u>\$ 40,282,980</u>