

District of Port Hardy

Consolidated Financial Statements

December 31, 2019



District of Port Hardy

December 31, 2019

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The accompanying consolidated financial statements are the responsibility of management. To ensure their integrity, objectivity and reliability, the consolidated 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 external Audited Financial Statements annually.

The external auditors, MNP LLP, are appointed by Council to conduct an independent examination in accordance with Canadian auditing standards, and express their opinion on the consolidated 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.



Lynda Sowerby, BComm

Director of Finance

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the District of Port Hardy (the "District"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the District to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nanaimo, British Columbia

May 12, 2020

MNP LLP

Chartered Professional Accountants

District of Port Hardy

Consolidated Statement of Financial Position
As At December 31, 2019

	2019	2018
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 7,716,136	\$ 5,132,160
Accounts receivable (Note 3)	2,344,291	2,455,940
Investment in Government business enterprises (Note 14)	362,569	81,497
Tax sale properties	19,287	108,882
Land held for resale	23,623	506
	<u>10,465,906</u>	<u>7,778,985</u>
Financial Liabilities		
Accounts payable and other liabilities (Note 4)	1,041,897	970,139
Deposits	39,600	35,500
Deferred revenue (Note 5)	210,715	514,572
Capital borrowing (Note 16)	1,443,432	1,295,833
	<u>2,735,644</u>	<u>2,816,044</u>
Net Financial Assets	<u>7,730,262</u>	<u>4,962,941</u>
Tangible capital assets (Schedule 2)	42,410,454	43,144,918
Inventory	151,174	168,945
Prepays	39,930	56,626
	<u>42,601,558</u>	<u>43,370,489</u>
Accumulated Surplus (Schedule 3)	<u>\$ 50,331,820</u>	<u>\$ 48,333,430</u>

Commitments and contingencies (Note 12)

Subsequent events (Note 17)

Approved by:


Lynda Sowerby, BComm

Director of Finance


Dennis Dugas

Mayor

The accompanying notes are an integral part of these financial statements.

District of Port Hardy
Consolidated Statement of Operations
For the Year Ended December 31, 2019

	2019	2019 Budget (Note 8)	2018
Revenue			
Taxes	\$ 3,051,261	\$ 3,051,263	\$ 2,928,702
Payments in lieu of taxes	176,900	174,404	169,921
Sale of services	3,943,387	3,784,752	3,755,366
Other revenue	562,939	570,429	444,859
Income from investment in Government business enterprises (Note 14)	989,018	-	33,157
Government transfers	1,874,009	10,256,546	4,251,708
	<u>10,597,514</u>	<u>17,837,394</u>	<u>11,583,713</u>
Expenses			
General government services	1,150,253	1,243,200	1,081,539
Transportation services	2,060,729	2,040,493	1,834,319
Protective services	614,748	631,093	643,869
Environmental health services	272,781	285,108	272,302
Recreation and culture	1,535,056	1,553,186	1,442,673
Community development	201,765	216,059	194,240
Water	1,468,762	1,602,263	1,393,514
Sewer	1,295,030	1,433,862	1,272,630
	<u>8,599,124</u>	<u>9,005,264</u>	<u>8,135,086</u>
Annual surplus	1,998,390	8,832,130	3,448,627
Accumulated surplus, beginning of year	48,333,430	48,333,430	44,884,803
Accumulated surplus, end of year	<u><u>\$ 50,331,820</u></u>	<u><u>\$57,165,560</u></u>	<u><u>\$ 48,333,430</u></u>

The accompanying notes are an integral part of these financial statements.

District of Port Hardy

Consolidated Statement of Changes in Net Financial Assets

As At December 31, 2019

	2019	2019 Budget (Note 8)	2018
Annual surplus	\$ 1,998,390	\$ 8,832,130	\$ 3,448,627
Acquisition of tangible capital assets	(1,423,824)	(18,294,755)	(6,037,381)
Amortization	2,156,450	1,900,000	2,041,470
Proceeds on sale of tangible capital assets	1,838	-	-
	<u>734,464</u>	<u>(16,394,755)</u>	<u>(3,995,911)</u>
Use (Acquisition) of supplies inventory	17,771	-	(16,301)
Use (Acquisition) of prepaid expense	16,696	-	(24,424)
	<u>34,467</u>	<u>-</u>	<u>(40,725)</u>
Change in net financial assets	2,767,321	(7,562,625)	(588,009)
Net financial assets, beginning of year	4,962,941	4,962,941	5,550,950
Net financial assets (debt), end of year	<u>\$ 7,730,262</u>	<u>\$ (2,599,684)</u>	<u>\$ 4,962,941</u>

The accompanying notes are an integral part of these financial statements.

District of Port Hardy

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Cash Provided By (Used In)		
Operating Activities		
Annual surplus	\$ 1,998,390	\$ 3,448,627
Increase (Decrease) in Non Financial Assets		
Amortization	2,156,450	2,041,470
Change in inventory	17,771	(16,301)
Change in prepaids	16,696	(24,424)
	<u>4,189,307</u>	<u>5,449,372</u>
(Increase) Decrease in Financial Assets and Liabilities		
Change in accounts receivable	111,649	(769,691)
Change in investment in Government business enterprises	(281,072)	(33,157)
Change in tax sale properties	89,595	(99,292)
Change in land held for resale	(23,117)	-
Change in accounts payable	71,758	(532,906)
Change in performance deposits and bonds	4,100	(3,600)
Change in deferred revenue	(303,857)	(367,645)
	<u>3,858,363</u>	<u>3,643,081</u>
Cash provided by operating transactions		
Capital Activities		
Acquisition of tangible capital assets	(1,423,824)	(6,037,381)
Proceeds on sale of tangible capital assets	1,838	-
	<u>(1,421,986)</u>	<u>(6,037,381)</u>
Financing Activities		
Capital borrowing repaid	(151,401)	(128,271)
Proceeds from borrowing	299,000	259,929
	<u>147,599</u>	<u>131,658</u>
Net increase (decrease) in cash and cash equivalents	2,583,976	(2,262,642)
Cash and cash equivalents at beginning of period	5,132,160	7,394,802
	<u>\$ 7,716,136</u>	<u>\$ 5,132,160</u>
Cash and cash equivalents at end of period		

The accompanying notes are an integral part of these financial statements.

District of Port Hardy

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2019

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, bylaw 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 CPA Canada. 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. Development contributions are recorded as contributed tangible capital assets at their fair value on the date of contribution. Amounts received from non-government sources in advance of services being rendered are recorded as deferred revenue until the obligations that led to the collection of funds has been discharged. The District recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the District recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable. Other revenue is recorded when performance of services is complete, amounts are measurable, and collectibility is reasonably assured. Income from investment in Government business enterprises is recorded using the modified equity method, based on the District's portion of annual earnings from the government business enterprises for the year (see Note 14).

c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

d) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Inventory for resale is recorded at lower of cost or net realizable value as a financial asset. Inventory of supplies is recorded at the lower of cost or net realizable value as a non-financial asset.

e) Leases

Leases, which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and related payments are charged to expenses as incurred.

District of Port Hardy

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2019

1. Significant Accounting Policies (Continued):

f) Financial Instruments

The Municipality's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and other liabilities, deposits, and capital borrowing. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as described in Note 3.

g) 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 they are earned. For union employees, 1 week is earned for each year of employment, to a maximum of 10 or 12 weeks depending on the union. Non-union employees earn severance in accordance with individual contracts or the BC labour standards. The severance banks are then multiplied by 10% for senior management and 2% for all other employees to estimate the potential for the District paying out severance.

h) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Accrued employee benefits liabilities are estimated based on the anticipated wage rate increases, time value of money and expected average length of employment of District staff. 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. Liabilities for contaminated sites are estimated based on the best information available regarding potential contaminated sites that the District of Port Hardy is responsible for. Actual results may differ from estimates.

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

1. Significant Accounting Policies (Continued):

i) 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.

	Average Useful Life
Land	Indefinite
Land Improvements	10 -40 years
Buildings	20 - 80 years
Equipment	3 - 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.

j) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the District of Port Hardy is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available as at December 31, 2019.

At each financial reporting date the District of Port Hardy reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The District of Port Hardy continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at December 31, 2019 the District has not recorded any liability for contaminated sites as no such sites have been identified.

2. Cash and Cash Equivalents

	2019	2018
Cash	<u>\$ 308,899</u>	<u>\$ 389,791</u>
Investments	<u>7,407,237</u>	<u>4,742,369</u>
	<u>\$ 7,716,136</u>	<u>\$ 5,132,160</u>

The investments are held in high interest savings account \$7,407,237 (2018 - \$4,742,369), earning an annualized interest rate of 2.46% (2018 - 1.90%).

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

3. Accounts Receivable

	2019	2018
Property taxes	\$ 583,174	\$ 973,969
Other Governments	665,422	354,124
Trade and other	1,441,516	1,489,583
	<u>2,690,112</u>	<u>2,817,676</u>
Less allowance for doubtful accounts	(345,821)	(361,736)
	<u>\$ 2,344,291</u>	<u>\$ 2,455,940</u>

Wharf receivables total \$306,539 (2018 - \$282,676). Of this amount \$270,601 (2018 - \$248,532) has been recorded in allowance for doubtful accounts above. A total of \$69,489 (2018 - \$93,677) in taxes receivable has been recorded as doubtful and the remainder of doubtful accounts represents general accounts receivable.

4. Accounts Payable and Other Liabilities

	2019	2018
Other Governments	\$ 34,947	\$ 101,248
Accrued wages and benefits	363,725	280,036
Trade and other	621,805	570,191
Source deductions payable	21,420	18,664
	<u>\$ 1,041,897</u>	<u>\$ 970,139</u>

5. Deferred Revenue

	2019	2018
Prepaid taxes	\$ 72,066	\$ 73,259
Prepaid fees and charges	29,351	54,740
Other deferred revenue	109,298	386,573
	<u>\$ 210,715</u>	<u>\$ 514,572</u>

District of Port Hardy

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

6. Federal Gas Tax Funds

Gas tax transfers are recorded as revenues when received. Unspent funds are included in Operating Funds Surplus (see Schedule 3)

	2019	2018
Opening balance of unspent funds	\$ 684,336	\$ 470,794
Add: Amount received during the year	461,275	232,222
Interest earned	16,875	11,298
Less: Amount spent on eligible projects	(466,379)	(29,978)
Closing balance of unspent funds	\$ 696,107	\$ 684,336

7. Pension Liability

The District 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 provided are based on a formula. As at December 31, 2018 the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from the Local Governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018 indicated a \$2.866 million funding surplus for basic pension benefits on a going concern basis.

The District of Port Hardy paid \$188,189 (2018 - \$184,316) for employer contributions while employees contributed \$166,407 (2018 - \$163,518) to the plan in fiscal 2019.

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

Employers participating in the plan record their pension expense as the amount of 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.

District of Port Hardy

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

8. Budget Figures

The budget amounts presented throughout these financial statements are based on the Five Year Financial Plan bylaw adopted by Council on January 22, 2019 to budget amounts for amortization and tangible capital assets.

Annual surplus, as adopted January 22 ,2019	<u>\$ -</u>
Add:	
Aquisition of tangible capital assets	18,294,755
Debt principal repayments	230,976
Less:	
Debt incurred	(6,499,000)
Interfund transfers	(1,294,601)
Amortization	<u>(1,900,000)</u>
Annual surplus restated	<u><u>\$ 8,832,130</u></u>

9. 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>2019</u>	<u>2018</u>
School Taxes	\$ 1,334,247	\$ 1,306,933
Regional District	434,578	405,469
Regional Hospital District	149,961	142,788
BC Assessment	20,393	20,596
Municipal Finance Authority	97	90
Police Tax	189,867	186,198
Vancouver Island Regional Library	<u>144,262</u>	<u>156,216</u>
	<u><u>\$ 2,273,405</u></u>	<u><u>\$ 2,218,290</u></u>

10. 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, 2019, the balance of funds held in trust was \$41,417 (2018 - \$39,747).

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.

District of Port Hardy

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

11. Employee Benefit Obligations

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. The following amounts are recorded as accrued wages and benefits in accounts payable and other liabilities at year-end.

Vacation liability at December 31, 2019 is \$32,877 (2018 - \$28,070).

Sick leave liability at December 31, 2019 is \$139,576 (2018 - \$136,536).

Severance liability at December 31, 2019 is \$119,446 (2018 - \$36,981).

12. Commitments and Contingencies

a) Municipal Insurance Association of British Columbia

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.

b) Mount Waddington Regional District

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.

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

13. 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:

Protective Services

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 and Culture

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

Environmental Health Services

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

Transportation Services

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

General Government Services

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

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.

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

14. Investment in Government Business Enterprises

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. District of Port Hardy owns a one third share.

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

	2019	2018
Summary of investment in Government Businesses		
NICFLP	\$ 340,072	\$ 68,890
NICF LTD.	22,497	12,607
	<u>362,569</u>	<u>81,497</u>
Summary of results of operations		
NICFLP	979,127	32,826
NICF LTD.	9,891	331
	<u>\$ 989,018</u>	<u>\$ 33,157</u>

The condensed supplementary financial information of the NICFLP is as follows:

	2019	2018
Financial Position		
Current and other assets	\$ 1,132,061	\$ 286,576
Current and other liabilities	46,357	42,088
Partners' Capital	<u>1,085,704</u>	<u>244,488</u>
Results of operations		
Revenues	3,029,866	151,215
Expenses	62,813	51,742
Net surplus	<u>\$ 2,967,053</u>	<u>\$ 99,473</u>

During the year the District received a dividend from the NICFLP of \$707,946 (2018 - 0).

15. Comparative Figures

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

District of Port Hardy

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2019

16. Capital Borrowing

	Balance, beginning of year	Additions	Principal repayments	Balance, end of year
2017 Fire Ladder Truck	\$ 984,005	\$ -	\$ 75,596	\$ 908,409
2018 Dodge Dump Truck	84,140	-	20,284	63,856
2019 International Hook Truck	203,849	-	44,620	159,229
2018 Nissan Rogue	23,839	-	5,113	18,726
2020 Fire Fighting Equipment	-	215,000	3,156	211,844
2020 Generator-Civic Center	-	84,000	2,632	81,368
	<u>\$ 1,295,833</u>	<u>\$ 299,000</u>	<u>\$ 151,401</u>	<u>\$ 1,443,432</u>

Short term financing is secured through the Municipal Finance Authority for capital initiatives approved under loan authorizations. Interest is calculated daily on a variable rate basis at a 0.5% spread on top of the CDOR (Canadian Dealer Offered Rate) rate. In 2019 the rate varied between 2.44% and 2.81%. At December 31, 2019 the rate was 2.54%. Equipment is financed over a five year period with the exception of the Fire Department Ladder truck purchased in 2017 and fire fighting equipment purchased in 2019. Both loans are amortized over a twelve year period with a five year term. The residual amounts to be re-financed is estimated to be \$698,006 in 2022 for the ladder truck, and \$108,500 in 2024 for the fire fighting equipment .

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

	Equipment Financing
2020	\$ 184,836
2021	189,555
2022	192,054
2023	138,714
2024	112,076
	<u>\$ 817,235</u>

17. Subsequent Events

In March 2020, the COVID-19 outbreak caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of facility closures, travel restrictions, self-isolation periods and physical distancing, will have a significant impact on the local and global economy. At this time it is not possible to reliably estimate the length and severity of the COVID-19 outbreak and how it may impact the District's financial results for 2020.

District of Port Hardy

Consolidated Schedule of Segmented Disclosure

For the Year Ended December 31, 2019

Schedule 1
(Note 13)

	General government services		Transportation services		Protective services		Environmental health services		Recreation and culture	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues										
Taxes	\$ 3,051,261	\$ 2,928,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payment in lieu of taxes	176,900	169,921	-	-	-	-	-	-	-	-
Sale of services	-	-	494,760	399,335	74,914	149,993	289,854	282,432	204,845	198,266
Income from investment in Government business enterprises	989,018	-	-	-	-	-	-	-	-	-
Government transfers	573,029	541,231	461,275	232,222	1,154	13,234	-	-	657,540	3,500
Other revenue	306,264	219,908	25,650	10,200	82,988	67,850	2,185	2,212	38,154	37,590
	5,096,472	3,859,762	981,685	641,757	159,056	231,077	292,039	284,644	900,539	239,356
Expenses										
Salaries and benefits	951,784	817,794	514,226	464,737	149,657	143,144	16,332	18,554	727,651	712,983
Goods and services	129,772	193,815	503,998	370,458	188,388	219,117	38,194	39,970	366,200	342,886
Contracted services	23,715	27,818	298,372	264,407	121,001	122,371	218,255	213,778	156,785	117,096
Interest Expense	27,816	25,860	-	-	-	-	-	-	-	-
Amortization	17,166	16,252	744,133	734,717	155,702	159,237	-	-	284,420	269,708
	1,150,253	1,081,539	2,060,729	1,834,319	614,748	643,869	272,781	272,302	1,535,056	1,442,673
Net Surplus (Deficit)	\$ 3,946,219	\$ 2,778,223	\$ (1,079,044)	\$ (1,192,562)	\$ (455,692)	\$ (412,792)	\$ 19,258	\$ 12,342	\$ (634,517)	\$ (1,203,317)

The accompanying notes are an integral part of these financial statements.

District of Port Hardy

Consolidated Schedule of Segmented Disclosure

For the Year Ended December 31, 2019

Schedule 1
(Note 13)

	Community development		Water		Sewer		Consolidated	Budget	Consolidated	Budget
	2019	2018	2019	2018	2019	2018	Actual	2019	Actual	2018
Revenues										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,051,261	\$ 3,051,263	\$ 2,928,702	\$ 2,909,562
Payment in lieu of taxes	-	-	-	-	-	-	176,900	174,404	169,921	179,128
Sale of services	-	-	1,550,223	1,461,523	1,328,791	1,263,817	3,943,387	3,784,752	3,755,366	3,650,491
Income from investment in Government business enterprises	-	33,157	-	-	-	-	989,018	-	33,157	-
Government transfers	181,011	183,167	-	3,278,354	-	-	1,874,009	10,256,546	4,251,708	13,428,425
Other revenue	33,800	37,105	43,853	43,392	30,045	26,602	562,939	570,429	444,859	291,928
	214,811	253,429	1,594,076	4,783,269	1,358,836	1,290,419	10,597,514	17,837,394	11,583,713	20,459,534
Expenses										
Salaries and benefits	47	-	364,920	377,350	284,027	277,473	3,008,644	3,172,912	2,812,035	3,046,964
Goods and services	28,207	28,579	553,864	501,108	386,224	389,942	2,194,847	2,513,294	2,085,875	2,431,671
Contracted services	173,511	165,661	51,589	83,278	163,547	171,934	1,206,775	1,273,050	1,166,343	1,240,740
Interest Expense	-	-	-	-	4,592	3,503	32,408	146,008	29,363	79,001
Amortization	-	-	498,389	431,778	456,640	429,778	2,156,450	1,900,000	2,041,470	1,870,000
	201,765	194,240	1,468,762	1,393,514	1,295,030	1,272,630	8,599,124	9,005,264	8,135,086	8,668,376
Net Surplus (Deficit)	\$ 13,046	\$ 59,189	\$ 125,314	\$ 3,389,755	\$ 63,806	\$ 17,789	\$ 1,998,390	\$ 8,832,130	\$ 3,448,627	\$ 11,791,158

The accompanying notes are an integral part of these financial statements.

District of Port Hardy

Consolidated Schedule of Tangible Capital Assets For the Year Ended December 31, 2019

Schedule 2

	Costs					Accumulated Amortization					2019	2018
	Add		Less			Add		Less				
	Opening Balance	Additions	Construction In progress	Disposals	Closing Balance	Opening Balance	Amortization	Accumulated Amortization on Disposals	Closing Balance			
Land and Land Improvements	\$ 6,861,654	\$ 40,363	\$ 11,909	\$ -	\$ 6,913,926	\$ 2,228,325	\$ 121,705	\$ -	\$ 2,350,030	\$ 4,563,896	\$ 4,633,329	
Buildings	11,347,100	58,166	51,677	-	11,456,943	6,962,551	228,372	-	7,190,923	4,266,020	4,384,549	
Furniture and Equipment	405,068	-	-	-	405,068	400,822	1,681	-	402,503	2,565	4,246	
Vehicles and Machinery	5,044,930	690,695	-	(50,283)	5,685,342	2,820,606	257,344	(21,457)	3,056,493	2,628,849	2,224,324	
Computer Hardware and Software	223,418	12,592	1,683	-	237,693	188,469	12,385	-	200,854	36,839	34,949	
Engineering Structures												
Roads	25,646,119	284,810	-	-	25,930,929	13,845,348	579,933	-	14,425,281	11,505,648	11,800,771	
Water	18,920,525	196,916	1,683	-	19,119,124	8,258,782	498,389	-	8,757,171	10,361,953	10,661,743	
Sewer	16,986,063	79,948	20,370	-	17,086,381	7,585,056	456,641	-	8,041,697	9,044,684	9,401,007	
	\$ 85,434,877	\$ 1,363,490	\$ 87,322	\$ (50,283)	\$ 86,835,406	\$ 42,289,959	\$ 2,156,450	\$ (21,457)	\$ 44,424,952	\$ 42,410,454	\$ 43,144,918	

The accompanying notes are an integral part of these financial statements.

District of Port Hardy
Consolidated Schedule of Accumulated Surplus
For the Year Ended December 31, 2019

Schedule 3

	2019	2018
Surplus		
Invested in tangible capital assets	\$ 40,967,022	\$ 41,849,085
Operating funds	8,259,941	5,963,263
	<u>49,226,963</u>	<u>47,812,348</u>
Reserves		
Buildings	38,683	48,675
Computers	5,088	4,965
Equipment replacement	138,459	135,115
General capital works	100,002	97,587
Park development	41,286	40,288
Recreation facilities	102,103	99,636
Water equipment reserve	75,923	-
Sewer equipment reserve	50,615	-
	<u>552,159</u>	<u>426,266</u>
Water Reserve Fund		
Water capital works	350,238	94,816
Sewer Reserve Fund		
Sewer capital works	202,460	-
	<u>1,104,857</u>	<u>521,082</u>
Accumulated Surplus, end of year	<u><u>\$ 50,331,820</u></u>	<u><u>\$ 48,333,430</u></u>

The accompanying notes are an integral part of these financial statements.