

District of Port Hardy

# Statement of Financial Information

2020



June 17, 2021

**Notice to Reader**

The Financial Information Act requires municipalities and other Government organizations to prepare annual financial information and make it available to the public by June 30<sup>th</sup> of each year or within six months of their fiscal year end.

The information required by the Act for a municipality encompasses audited financial statements and schedules disclosing guarantee and indemnity agreements, employee remuneration and amounts paid to suppliers for the provision of goods and services.

A detailed extract of the regulations accompanies this introduction and explains in some detail the nature of this information.



Deb Bodnar CPA, CMA  
Director of Financial Services

## Compliance with the Financial Information Regulation

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The *Financial Information Act* (the Act) identifies organizations that must prepare financial information and make it available to the public within six month of their fiscal year end. The District of Port Hardy (the District) is one of the organizations identified and therefore the attached *Statement of Financial Information* has been prepared in order to comply with this legislation.

The Financial Information Regulation specifies the required content for these statements and schedules. As such, the District's *Statement of Financial Information* includes the following:

- The **2020 Consolidated Financial Statements**, prepared in accordance with generally accepted accounting principles and include notes that disclose the accounting policies followed in preparing the financial statements.
- The **2020 Schedule of Debts** includes a list of all the District's long-term debts, including the amount outstanding, the interest rate, maturity date, and identifies those debts covered by sinking funds or reserves and the amounts that have accumulated in those accounts.
- The **2020 Schedule of Guarantee and Indemnity Agreements** includes a list of financial guarantees and indemnity agreements in force at December 31, 2020. This list includes the names of entities and the amount of money involved.
- The **2020 Schedule of Remuneration and Expenses** (the Schedule) for elected officials and employees. For elected officials, the Schedule includes an alphabetical list of each member of Council, the total amount of remuneration paid, the value of benefits received, and the total amount of expenses paid to or on behalf of that Council member during 2020. For District employees, the Schedule includes an alphabetical list of each employee earning in excess of \$75,000, the total amount of remuneration paid, and the total amount of expenses paid to or on behalf of that employee during 2020. The total amount of expenses recorded includes only expenses reimbursed with District funds. Expenses reimbursed by other organizations are excluded. In addition, the Schedule includes a total paid to all other employees during 2020 where earning are less than the \$75,000 threshold.
- The **2020 Schedule of Payments made for the Provision of Goods or Services** includes an alphabetical list of the individuals or corporations where the total amount paid during 2020 exceeds \$25,000. In addition, this schedule also includes the total of all amounts paid to all other suppliers during 2020 where the amounts paid are less than the \$25,000 threshold.

**District of Port Hardy  
2020 Statement of Financial Information  
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# District of Port Hardy

## Consolidated Financial Statements

December 31, 2020



# District of Port Hardy

December 31, 2020

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The accompanying consolidated financial statements of the District of Port Hardy (the "District") are the responsibility of the District's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in the notes to the consolidated financial statements. The preparation of the consolidated financial statements involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP, independent external auditors appointed by the District. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the District's consolidated financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the District in accordance with Canadian public sector accounting standards.



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Deb Bodnar, CPA, CMA

Director of Financial Services



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Denis Dugas

Mayor



## Independent Auditor's Report

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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, 2020, 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, 2020, 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 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 11, 2021

*MNP LLP*

Chartered Professional Accountants

# District of Port Hardy

## Consolidated Statement of Financial Position

As At December 31, 2020

	2020	2019
<b>Financial Assets</b>		
Cash and cash equivalents (Note 2)	\$ 10,558,498	\$ 7,716,136
Accounts receivable (Note 3)	2,620,749	2,344,291
Investment in Government business enterprises (Note 14)	251,480	362,569
Tax sale properties	16,415	19,287
Land held for resale	7,035	23,623
	<u>13,454,177</u>	<u>10,465,906</u>
<b>Financial Liabilities</b>		
Accounts payable and other liabilities (Note 4)	1,466,886	1,041,897
Deposits	39,400	39,600
Deferred revenue (Note 5)	251,609	210,715
Capital borrowing (Note 16)	1,409,139	1,443,432
	<u>3,167,034</u>	<u>2,735,644</u>
<b>Net Financial Assets</b>	<u>10,287,143</u>	<u>7,730,262</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule 2)	42,868,019	42,410,454
Inventory	196,509	151,174
Prepays	33,329	39,930
	<u>43,097,857</u>	<u>42,601,558</u>
<b>Accumulated Surplus (Schedule 3)</b>	<u>\$ 53,385,000</u>	<u>\$ 50,331,820</u>

Commitments and contingencies (Note 12)

Ongoing events (Note 17)

Approved by:



Deb Bodnar, CPA, CMA

Director of Financial Services

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

# District of Port Hardy

Consolidated Statement of Operations  
For the Year Ended December 31, 2020

	2020	2020 Budget (Note 8)	2019
<b>Revenue</b>			
Taxation	\$ 3,099,861	\$ 3,284,267	\$ 3,051,261
Payments in lieu of taxes	243,702	171,592	176,900
Sale of services	3,967,057	3,904,626	3,943,387
Other revenue	467,895	423,767	562,939
(Loss) Income from investment in Government business enterprises (Note 14)	(21,089)	-	989,018
Government transfers	3,882,517	20,554,309	1,874,009
	<u>11,639,943</u>	<u>28,338,561</u>	<u>10,597,514</u>
<b>Expenses</b>			
General government services	981,894	1,073,391	1,150,253
Transportation services	2,043,171	2,066,982	2,060,729
Protective services	657,391	686,726	614,748
Environmental health services	298,483	291,057	272,781
Recreation and culture	1,459,844	1,920,641	1,535,056
Community development	180,448	232,637	201,765
Water	1,621,010	1,674,078	1,468,762
Sewer	1,344,522	1,467,850	1,295,030
	<u>8,586,763</u>	<u>9,413,362</u>	<u>8,599,124</u>
Annual surplus	3,053,180	18,925,199	1,998,390
Accumulated surplus, beginning of year	50,331,820	50,331,820	48,333,430
<b>Accumulated surplus, end of year</b>	<u><u>\$ 53,385,000</u></u>	<u><u>\$39,257,019</u></u>	<u><u>\$ 50,331,820</u></u>

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

# District of Port Hardy

## Consolidated Statement of Changes in Net Financial Assets

As At December 31, 2020

	2020	2020 Budget (Note 8)	2019
Annual surplus	\$ 3,053,180	\$ 18,925,199	\$ 1,998,390
Acquisition of tangible capital assets	(2,655,367)	(27,720,229)	(1,423,824)
Amortization	2,197,802	1,930,000	2,156,450
Gain on disposal of tangible capital assets	-	-	1,838
	2,595,615	(6,865,030)	2,732,854
(Acquisition) Use of supplies inventory	(45,335)	-	17,771
Use of prepaid expense	6,601	-	16,696
	(38,734)	-	34,467
Change in net financial assets	2,556,881	(6,865,030)	2,767,321
Net financial assets, beginning of year	7,730,262	7,730,262	4,962,941
Net financial assets (debt), end of year	\$10,287,143	\$ 865,232	\$ 7,730,262

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

# District of Port Hardy

## Consolidated Statement of Cash Flows For the Year Ended December 31, 2020

	2020	2019
<b>Cash Provided By (Used In)</b>		
<b>Operating Activities</b>		
Annual surplus	\$ 3,053,180	\$ 1,998,390
Increase (Decrease) in Non Financial Assets		
(Loss) Income from investment Government business enterprise	21,089	(989,018)
Amortization	2,197,802	2,156,450
Change in inventory	(45,335)	17,771
Change in prepaids	6,601	16,696
	<u>5,233,337</u>	<u>3,200,289</u>
(Increase) Decrease in Financial Assets and Liabilities		
Change in accounts receivable	(276,458)	111,649
Change in tax sale properties	2,872	89,595
Change in land held for resale	16,588	(23,117)
Change in accounts payable	424,990	71,758
Change in performance deposits and bonds	(200)	4,100
Change in deferred revenue	40,894	(303,857)
	<u>5,442,023</u>	<u>3,150,417</u>
<b>Cash used in operating transactions</b>	<u>5,442,023</u>	<u>3,150,417</u>
<b>Capital Activities</b>		
Acquisition of tangible capital assets	(2,655,367)	(1,423,824)
Proceeds on sale of tangible capital assets	-	1,838
	<u>(2,655,367)</u>	<u>(1,421,986)</u>
<b>Financing Activities</b>		
Capital borrowing repaid	(209,294)	(151,401)
Proceeds from borrowing	175,000	299,000
	<u>(34,294)</u>	<u>147,599</u>
<b>Investing Activities</b>		
Dividend received from Government business enterprises	90,000	707,946
	<u>90,000</u>	<u>707,946</u>
Net increase in cash and cash equivalents	2,842,362	2,583,976
Cash and cash equivalents at beginning of period	7,716,136	5,132,160
Cash and cash equivalents at end of period	<u>\$ 10,558,498</u>	<u>\$ 7,716,136</u>

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

# District of Port Hardy

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2020

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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 collectability 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.

# District of Port Hardy

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2020

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### 1. Significant Accounting Policies:

#### 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.

#### 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, 2020

## 1. Significant Accounting Policies:

### 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
<b>Engineering Structures</b>	
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.

### 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, 2020.

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, 2020 the District has not recorded any liability for contaminated sites as no such sites have been identified.

## 2. Cash and cash equivalents

	2020	2019
Cash	\$ 4,655	\$ 308,899
Investments	10,553,843	7,407,237
	<u>\$10,558,498</u>	<u>\$ 7,716,136</u>

The investments are held in high interest savings account \$10,553,843 (2019 - \$7,407,237), earning an annualized interest rate of 1.23% (2019 - 2.46%).

# District of Port Hardy

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2020

### 3. Accounts Receivable

	2020	2019
Property taxes	\$ 583,374	\$ 583,174
Other Governments	900,650	665,422
Trade and other	1,485,027	1,441,516
	2,969,051	2,690,112
Less allowance for doubtful accounts	(348,302)	(345,821)
	<u>\$ 2,620,749</u>	<u>\$ 2,344,291</u>

Wharf receivables total \$311,670 (2019 - \$306,539). Of this amount \$277,187 (2019 - \$270,601) has been recorded in allowance for doubtful accounts above. A total of \$65,424 (2019 - \$69,489) in taxes receivable has been recorded as doubtful and the remainder of doubtful accounts represents general accounts receivable.

### 4. Accounts Payable and other liabilities

	2020	2019
Other Governments	\$ 557,009	\$ 34,947
Accrued wages and benefits	299,353	385,145
Trade and other	610,524	621,805
	<u>\$ 1,466,886</u>	<u>\$ 1,041,897</u>

### 5. Deferred Revenue

	2020	2019
Prepaid taxes	\$ 65,240	\$ 72,066
Prepaid fees and charges	29,938	29,351
Other deferred revenue	156,431	109,298
	<u>\$ 251,609</u>	<u>\$ 210,715</u>

### 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)

	2020	2019
Opening balance of unspent funds	\$ 696,107	\$ 684,336
Add: Amount received during the year	229,132	461,275
Interest earned	8,424	16,875
Less: Amount spent on eligible projects	(258,760)	(466,379)
Closing balance of unspent funds	<u>\$ 674,903</u>	<u>\$ 696,107</u>

# District of Port Hardy

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2020

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### 7. Pension Liability

The District of Port Hardy 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, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 contributors from local governments.

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

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

The District of Port Hardy paid \$173,394 (2019 - \$188,189) for employer contributions while employees contributed \$152,109 (2019 - \$166,407) to the plan in fiscal 2020.

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.

### 8. Budget Figures

The budget amounts presented throughout these consolidated financial statements are based on the Five Year Financial Plan bylaw adopted by Council on February 11, 2020 to budget amounts for amortization and tangible capital assets.

Annual surplus, as adopted February 11, 2020	\$ -
Add:	
Acquisition of tangible capital assets	27,720,229
Debt principal repayments	287,921
Less:	
Debt incurred	(6,200,000)
Interfund transfers	(952,951)
Amortization	(1,930,000)
Annual surplus restated	<u>\$18,925,199</u>

# District of Port Hardy

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2020

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### 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.

	2020	2019
School Taxes	\$ 1,173,831	\$ 1,334,247
Regional District	450,896	434,578
Regional Hospital District	157,202	149,961
BC Assessment	23,179	20,393
Municipal Finance Authority	104	97
Police Tax	208,662	189,867
Vancouver Island Regional Library	160,693	144,262
	<u>\$ 2,174,567</u>	<u>\$ 2,273,405</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, 2020, the balance of funds held in trust was \$41,884 (2019 - \$41,417).

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.

### 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, 2020 is \$34,036 (2019 - \$32,877).

Sick leave liability at December 31, 2020 is \$126,176 (2019 - \$139,576).

Severance liability at December 31, 2020 is \$22,137 (2019 - \$119,446).

# District of Port Hardy

Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2020

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## 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, 2020

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## 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:

### **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 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**

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

### **Transportation**

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

### **General Government**

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, 2020

## 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.

	2020	2019
Summary of investment in Government Businesses		
NICFLP	\$ 229,193	\$ 340,072
NICF LTD.	22,287	22,497
	<u>251,480</u>	<u>362,569</u>
Summary of results of operations		
NICFLP	(20,878)	979,127
NICF LTD.	(211)	9,891
	<u>\$ (21,089)</u>	<u>\$ 989,018</u>

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

	2020	2019
Financial Position		
Current and other assets	\$ 795,226	\$ 1,132,061
Current and other liabilities	42,288	46,357
<b>Partners' Capital</b>	<u>752,938</u>	<u>1,085,704</u>
Results of operations		
Revenues	6,480	3,029,866
Expenses	69,746	62,813
Net (loss) income	<u>\$ (63,266)</u>	<u>\$ 2,967,053</u>

During the year, the District received a dividend from the NICFLP of \$90,000 (2019 - \$707,946).

## 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, 2020

## 16. Capital Borrowing

	Balance, Beginning of Year	Additions	Principal repayments	Balance, end of year
2017 Fire Ladder Truck	\$ 908,409	\$ -	\$ 84,355	\$ 824,054
2018 Dodge Dump Truck	63,856	-	21,206	42,650
2019 International Hook Truck	159,229	-	46,795	112,434
2018 Nissan Rogue	18,726	-	5,366	13,360
2020 Fire Fighting Equipment	211,844	-	20,779	191,065
2020 Generator-Civic Center	81,368	-	16,586	64,782
2020 Seagate Pier Repairs	-	175,000	14,206	160,794
	<u>\$ 1,443,432</u>	<u>\$ 175,000</u>	<u>\$ 209,293</u>	<u>\$ 1,409,139</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 2020, the rate varied between 1.99% and 0.91%. At December 31, 2020, the rate was 0.91%. 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
2021	\$ 223,416
2022	187,710
2023	94,400
2024	68,160
2025	21,109
	<u>\$ 594,795</u>

## 17. Ongoing 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 2021.

# District of Port Hardy

Consolidated Schedule of Segmented Disclosure  
For the Year Ended December 31, 2020

Schedule 1  
(Note 13)

	General government services			Transportation services			Protective services			Environmental health services			Recreation and culture		
	2020	2019		2020	2019		2020	2019		2020	2019		2020	2019	
<b>Revenues</b>															
Taxation	\$ 3,099,861	\$ 3,051,261	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payment in lieu of taxes	243,702	176,900	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of services	-	-	453,423	494,760	81,574	74,914	326,319	289,854	92,150	204,845					
(Loss) Income from investment in Government business enterprises	(21,089)	989,018	-	-	-	-	-	-	-	-	-	-	-	-	-
Government transfers	597,310	573,029	229,132	461,275	-	1,154	-	-	1,532,507	657,540					
Other revenue	233,761	306,264	50,570	25,650	67,496	82,988	1,033	2,185	38,678	38,154					
	4,153,545	5,096,472	733,125	981,685	149,070	159,056	327,352	292,039	1,663,335	900,539					
<b>Expenses</b>															
Salaries and benefits	723,069	951,784	513,481	514,226	142,403	149,657	15,139	16,332	667,277	727,651					
Goods and services	65,066	129,772	503,136	503,998	200,373	188,388	35,443	38,194	313,351	366,200					
Contracted services	150,966	23,715	279,146	298,372	144,747	121,001	247,901	218,255	161,995	156,785					
Interest Expense	24,368	27,816	-	-	-	-	-	-	-	-					
Amortization	18,425	17,166	747,408	744,133	169,868	155,702	-	-	317,221	284,420					
	981,894	1,150,253	2,043,171	2,060,729	657,391	614,748	298,483	272,781	1,459,844	1,535,056					
<b>Net Surplus (Deficit)</b>	\$ 3,171,651	\$ 3,946,219	\$ (1,310,046)	\$ (1,079,044)	\$ (508,321)	\$ (455,692)	\$ 28,869	\$ 19,258	\$ 203,491	\$ (634,517)					

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

# District of Port Hardy

## Consolidated Schedule of Segmented Disclosure

### For the Year Ended December 31, 2020

Schedule 1  
(Note 13)

	Community development			Water		Sewer		Consolidated		Consolidated	
	2020	2019	2020	2020	2019	2020	2019	Actual	Budget	Actual	Budget
<b>Revenues</b>											
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,099,861	\$ 3,284,267	\$ 3,051,261	\$ 3,051,263
Payment in lieu of taxes	-	-	-	-	-	-	-	243,702	171,592	176,900	174,404
Sale of services	-	-	1,643,198	1,550,223	1,370,393	1,328,791	1,328,791	3,967,057	3,904,626	3,943,387	3,784,752
(Loss) Income from investment in Government business enterprises	-	-	-	-	-	-	-	(21,089)	-	989,018	-
Government transfers	1,523,568	181,011	-	-	-	-	-	3,882,517	20,554,309	1,874,009	10,256,546
Other revenue	37,826	33,800	22,813	43,853	15,718	30,045	30,045	467,895	423,767	562,939	570,429
	1,561,394	214,811	1,666,011	1,594,076	1,386,111	1,358,836	1,358,836	11,639,943	28,338,561	10,597,514	17,837,394
<b>Expenses</b>											
Salaries and benefits	540	47	368,519	364,920	246,816	284,027	284,027	2,677,244	3,344,356	3,008,644	3,172,912
Goods and services	27,686	28,207	677,914	553,864	438,354	386,224	386,224	2,261,323	2,604,517	2,194,847	2,513,294
Contracted services	152,222	173,511	80,848	51,589	208,201	163,547	163,547	1,426,026	1,396,671	1,206,775	1,273,050
Interest Expense	-	-	-	-	-	4,592	4,592	24,368	137,818	32,408	146,008
Amortization	-	-	493,729	498,389	451,151	456,640	456,640	2,197,802	1,930,000	2,156,450	1,900,000
	180,448	201,765	1,621,010	1,468,762	1,344,522	1,295,030	1,295,030	8,586,763	9,413,362	8,599,124	9,005,264
<b>Net Surplus (Deficit)</b>	\$ 1,380,946	\$ 13,046	\$ 45,001	\$ 125,314	\$ 41,589	\$ 63,806	\$ 63,806	\$ 3,053,180	\$ 18,925,199	\$ 1,998,390	\$ 8,832,130

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

## Schedule 2

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

# District of Port Hardy

## Consolidated Schedule of Accumulated Surplus For the Year Ended December 31, 2020

### Schedule 3

	2020	2019
<b>Surplus</b>		
Invested in tangible capital assets	\$ 41,458,881	\$ 40,967,022
Operating funds	9,186,236	8,259,941
	<u>50,645,117</u>	<u>49,226,963</u>
<b>Reserves</b>		
Buildings	39,158	38,683
Computers	5,150	5,088
Equipment replacement	111,278	138,459
General capital works	26,023	100,002
Park development	41,793	41,286
Recreation facilities	143,538	102,103
Water equipment reserve	152,194	75,923
Sewer equipment reserve	101,463	50,615
COVID-19 safe restart reserve (Schedule 4)	1,082,656	-
	<u>1,703,253</u>	<u>552,159</u>
<b>Water Reserve Fund</b>		
Water capital works	605,668	350,238
<b>Sewer Reserve Fund</b>		
Sewer capital works	430,962	202,460
	<u>2,739,883</u>	<u>1,104,857</u>
<b>Accumulated Surplus, end of year</b>	<u><u>\$ 53,385,000</u></u>	<u><u>\$ 50,331,820</u></u>

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

# District of Port Hardy

COVID-19 Safe Restart Reserve  
For the Year Ended December 31, 2020

Schedule 4

	2020	2019
Grant Proceeds, November 26, 2020	\$ 1,376,000	\$ -
<b>Eligible costs incurred:</b>		
Revenue shortfall	286,482	-
General Administration:		
COVID Supplies	11,303	-
COVID Contract Services	409	-
<b>Total Eligible Costs Incurred</b>	<b>298,194</b>	<b>-</b>
Interest earned	4,850	-
<b>Balance end of year</b>	<b>\$ 1,082,656</b>	<b>\$ -</b>

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

**District of Port Hardy  
2020 Schedule of Debts  
Financial Information Regulation, Schedule 1, Section 4(4)**

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Information on debts for this organization is included in Note 16 to the Consolidated Financial Statements.



**District of Port Hardy**  
**2020 Schedule of Guarantee and Indemnity Agreements**  
**Financial Information Regulation, Schedule 1, Section 5(4)**

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This organization has not given any guarantees or indemnities under the Guarantees and Indemnities Regulation.

**District of Port Hardy**  
**Schedule of Remuneration and Expenses**  
**Financial Information Regulation, Schedule 1, section 6**

<b>1. Elected Officials</b>		<b>Remuneration</b>	<b>Expenses</b>
Dugas, Dennis	Mayor	\$ 29,067.00	\$ 1,735.05
Corbett-Labatt, Pat	Councillor	14,323.55	481.85
Dorward, Janet	Councillor	14,323.55	350.00
Robertson, Fred	Councillor	14,323.55	350.00
Smith, Treena	Councillor	14,323.55	375.00
Tidbury, John	Councillor	14,323.55	2,593.34
Wishart, Leighton	Councillor	14,323.55	2,485.37
		<u>\$ 115,008.30</u>	<u>\$ 8,370.61</u>
<b>2. Employees</b>			
Forsyth, Bruce	Public Works Foreman	\$ 78,845.08	\$ 672.14
Jewell, Joe	Utilities Supervisor	100,724.99	645.48
Le Fort, Roland	Operator	81,684.50	1,010.34
McCarrick, Allison	Chief Administrative Officer	125,223.92	3,731.15
Nelson-Smith, Heather	Director of Corporate Services	106,653.84	1,208.46
Reusch, Justin	Chief Operator	85,085.10	632.14
		<u>578,217.43</u>	<u>7,899.71</u>
Consolidated total of other employees with remuneration and expenses of \$75,000 or less		<u>1,550,903.20</u>	<u>20,286.57</u>
Total employee remuneration		<u>2,129,120.63</u>	<u>28,186.28</u>
Total council and employees		<u><u>\$2,244,128.93</u></u>	<u><u>\$ 36,556.89</u></u>
<b>3. Reconciliation</b>			
Elected officials' total remuneration		115,008.30	
Employees' total remuneration		<u>2,129,120.63</u>	
Sub-total		<u>2,244,128.93</u>	
Benefits and Statutory remittances		<u>433,115.07</u>	
<b>Total salaries and benefits as reported in the Consolidated Financial Statements, Schedule 1</b>		<u><u>\$2,677,244.00</u></u>	

**Per section 6(8), there were no severance agreements between the District of Port Hardy and its non-unionized employees during the fiscal year 2020.**

☐ Prepared pursuant to the Financial Information Regulation, Schedule 1, section 6(2), (3), (4), (5), (6) and (8)

**District of Port Hardy**  
**Schedule of Suppliers of Goods or Services**  
**Financial Information Regulation, Schedule 1, section 7**

	Aggregate amt paid to supplier
<b>1. Suppliers who received aggregate payments exceeding \$25,000:</b>	
Ana's Hardy Clean	\$ 41,227
Andrew Sheret Ltd.	35,248
Aries Security Ltd.	204,896
Associated Fire Safety Equipment	33,690
B.C. Hydro	538,336
Black Cat Repairs	40,060
Can-Dive Construction Ltd.	58,800
Cleartech Industries Inc.	62,755
Devcon Industrial Services	44,945
European Fine Finishing	28,971
Fox's Disposal Services Ltd.	277,231
Gutermann Leak Detection	31,603
H & H Consulting	31,550
Hach Sales & Service Canada LP	27,949
I.C.B.C.	46,112
Iconix Waterworks LP	34,898
K & K Electric Ltd.	67,787
Metro Motors Ltd.	140,004
Minister of Finance	42,000
MNP	34,949
Mowi Canada West Inc.	265,635
Municipal Insurance Association of BC	200,790
Municipal Pension Plan	325,503
Napa Auto Parts/N.I. Industrial Auto Ltd.	34,315
North Island Pumps	42,238
O.K. Paving Company	148,691
Orach Enterprises Ltd.	43,616
Pacific Blue Cross	133,462
Pacificus Biological Services Ltd.	86,273
Parkland Corporation	61,440
Parr's Construction Ltd.	54,514
Port Hardy & District Chamber of Commerce	27,955
Port Hardy Firefighters' Association	45,313
Praxair Distribution	59,916
Receiver General for Canada	612,541
Regional District of Mount Waddington	81,056
Telus	34,594
Tex Electric Ltd.	131,192
The Public Sector Digest Inc.	34,469
Tuff Marine Products Ltd	324,994
Unitech Construction Management Ltd.	1,331,273
Urbanics Consultants Ltd.	40,600
Vimar Equipment Ltd.	43,293
Waterhouse Environmental Services Corp.	139,904
West Coast Propane	63,790
Worksafe BC	55,831
<b>Total of aggregate payments exceeding \$25,000 paid to suppliers</b>	<b>\$ 6,246,207</b>
<b>2. Consolidated total paid to suppliers who received aggregate payments of \$25,000 or less</b>	<b>1,383,191</b>
<b>3. Total of payments to suppliers for grants and contributions exceeding \$25,000</b>	<b>106,331</b>
<b>4. Reconciliation</b>	
Total of aggregate payments exceeding \$25,000 paid to suppliers	6,246,207
Consolidated total of payments of \$25,000 or less paid to suppliers	1,383,191
Consolidated total of all grants and contributions exceeding \$25,000	106,331
Reconciling items - includes accrual of expenses and benefits remitted	851,034
<b>Total per Consolidated Statement of Operations</b>	<b>\$ 8,586,763</b>

□ Prepared under the Financial Information Regulation, Schedule 1, section 7 and the *Financial Information Act*, section 2.

**District of Port Hardy  
Statement of Financial Information Approval  
Financial Information Regulation, Schedule 1, Section 9(2)**

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The undersigned, as authorized by the Financial Information Regulation, Schedule 1, subsection 9(2), approves all the statements and schedules included in this Statement of Financial Information, produced under the *Financial Information Act*.



Deb Bodnar CPA, CMA  
Director of Financial Services  
June 22, 2021



Dennis Dugas  
Mayor  
June 22, 2021

☐ Prepared pursuant to the Financial Information Regulation, Schedule 1, section 9(2)



**District of Port Hardy**  
**Financial Services**  
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