

DISTRICT OF PORT HARDY
Consolidated Financial Statements
December 31, 2022

DISTRICT OF PORT HARDY

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Year Ended December 31, 2022

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MANAGEMENT REPORT

December 31, 2022

The Mayor and Council of the District of Port Hardy have delegated the responsibility for the integrity and objectivity of the financial information contained in the consolidated financial statements to the management of the District of Port Hardy. The consolidated financial statements which, in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and that financial records are reliable for preparation of the financial statements. These systems are monitored and evaluated by management.

The District of Port Hardy's independent auditors, Chan Nowosad Boates Inc., Chartered Professional Accountants, are engaged to express an opinion as to whether these consolidated financial statements present fairly the District of Port Hardy's consolidated financial position and operating results in accordance with Canadian public sector accounting standards. Their opinion is based on procedures they consider sufficient to support such an opinion.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards. These statements present, in all significant respects the consolidated financial position of District of Port Hardy as at December 31, 2022.



Noramay Isaac
Director of Finance

April 26, 2023



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of the District of Port Hardy (the "District"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "consolidated financial statements").

In our opinion, the District's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2022, and of its consolidated financial performance and its cash flows for the year then ended. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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 of our opinion.

Responsibilities of Management and Those Charged with Governance 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 intends for the District to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over-seeing the District's financial reporting process.

Auditors' 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 the 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 auditors' 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 auditors' 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Chan Nawrood Boates Inc

Chartered Professional Accountants
Campbell River, BC

April 26, 2023

DISTRICT OF PORT HARDY

Consolidated Statement of Financial Position

December 31, 2022

2022

2021

FINANCIAL ASSETS

Cash (Note 2)	\$ 13,447,883	\$ 12,345,025
Accounts Receivable (Note 3)	1,864,322	2,132,678
Investment in Government Business Enterprises (Note 4)	301,791	225,416
Tax Sale Properties	1,633	5,709
Land Held for Resale	7,035	7,035
	<u>15,622,664</u>	<u>14,715,863</u>

LIABILITIES

Accounts Payable (Note 5)	1,186,585	966,845
Deposits	39,140	30,700
Deferred Revenue (Note 6)	660,392	701,358
Long Term Debt (Note 7)	934,576	1,166,379
	<u>2,820,693</u>	<u>2,865,282</u>

NET FINANCIAL ASSETS

12,801,971 11,850,581

NON-FINANCIAL ASSETS

Prepaid Expenses	38,741	43,616
Inventory	130,566	191,821
Tangible Capital Assets (Note 8)	42,157,394	42,693,766
	<u>42,326,701</u>	<u>42,929,203</u>

ACCUMULATED SURPLUS (Note 9)

\$ 55,128,672 \$ 54,779,784

Contingent Liabilities (Note 10)

Approved by:



Mayor



Chief Administrative Officer

DISTRICT OF PORT HARDY

Consolidated Statement of Operations

Year Ended December 31, 2022

	2022		2021
	Budget	Actual	
	(Note 13)		
Revenues			
Taxation	\$ 3,456,824	\$ 3,284,266	\$ 3,185,012
Payments in Lieu of Taxes	236,970	342,049	234,552
Sale of Goods and Services	4,003,738	4,153,227	4,016,269
Other Income	418,527	706,453	476,855
Income (Loss) from Government Business Enterprises	-	226,375	(26,064)
Government Transfers (Schedule 1)	<u>1,729,573</u>	<u>1,523,442</u>	<u>2,977,349</u>
	<u>9,845,632</u>	<u>10,235,812</u>	<u>10,863,973</u>
Expenditures			
General Government Services	1,496,607	1,695,638	1,291,572
Transportation Services	2,218,094	2,398,899	2,238,412
Protective Services	700,491	681,320	675,519
Environmental Health Services	340,861	303,764	329,468
Recreation and Culture	2,023,961	1,765,309	1,747,361
Community Development	237,964	225,499	197,478
Water	1,803,756	1,561,841	1,614,104
Sewer	<u>1,557,517</u>	<u>1,254,654</u>	<u>1,375,275</u>
	<u>10,379,251</u>	<u>9,886,924</u>	<u>9,469,189</u>
Annual Surplus (Deficit)	(533,619)	348,888	1,394,784
Accumulated Surplus - Beginning of Year	<u>54,779,784</u>	<u>54,779,784</u>	<u>53,385,000</u>
Accumulated Surplus - End of Year	<u>\$54,246,165</u>	<u>\$55,128,672</u>	<u>\$54,779,784</u>

DISTRICT OF PORT HARDY

Consolidated Statement of Change in Net Financial Assets

Year Ended December 31, 2022

	2022		2021
	Budget	Actual	
	(Note 13)		
Annual Surplus (Deficit)	\$ (533,619)	\$ 348,888	\$ 1,394,784
(Acquisition) Use of Prepaid Expenses	-	4,875	(10,287)
(Acquisition) Use of Inventories	-	61,255	4,688
Net Acquisition of Tangible Capital Assets	(5,902,169)	(1,657,488)	(1,985,347)
Amortization of Tangible Capital Assets	<u>2,197,802</u>	<u>2,193,860</u>	<u>2,159,600</u>
	<u>(4,237,986)</u>	<u>951,390</u>	<u>1,563,438</u>
Net Financial Assets - Beginning of Year	<u>11,850,581</u>	<u>11,850,581</u>	<u>10,287,143</u>
Net Financial Assets - End of Year	<u>\$ 7,612,595</u>	<u>\$12,801,971</u>	<u>\$11,850,581</u>

DISTRICT OF PORT HARDY

Consolidated Statement of Cash Flows

Year Ended December 31, 2022

2022

2021

Cash Flows From Operating Activities:

Annual Surplus	\$ 348,888	\$ 1,394,784
Items Not Involving Cash		
Amortization of Tangible Capital Assets	2,193,860	2,159,600
Disposal of Tangible Capital Asset	<u>28,085</u>	<u>32,214</u>
	2,570,833	3,586,598
Changes in Non-Cash Operating Balances		
Accounts and Taxes Receivable	268,356	488,071
Tax Sale Properties	4,076	10,706
Accounts Payable	219,740	(500,041)
Deposits	8,440	(8,700)
Deferred Revenue	(40,966)	407,864
Inventory	61,255	4,688
Prepaid Expenses	<u>4,875</u>	<u>(10,287)</u>
	<u>3,096,609</u>	<u>3,978,899</u>

Cash Flows From Capital Activities:

Purchase of Tangible Capital Assets	<u>(1,685,573)</u>	<u>(2,017,561)</u>
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Cash Flows From Investing Activities:

Distributions from Government Business Enterprises	150,000	-
Loss (Gain) from Government Business Enterprises	<u>(226,375)</u>	<u>26,064</u>
	<u>(76,375)</u>	<u>26,064</u>

Cash Flows From Financing Activities:

Repayments of Long Term Debt	<u>(231,803)</u>	<u>(242,760)</u>
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Increase in Cash	1,102,858	1,744,642
Cash - Beginning of Year	<u>12,345,025</u>	<u>10,600,383</u>
Cash - End of Year	<u>\$ 13,447,883</u>	<u>\$ 12,345,025</u>

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2022

The District of Port Hardy (the "District") was incorporated as a municipality 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 District. 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 prepares its consolidated financial statements in accordance with Canadian public sector accounting standards ("PSAS") using guidelines developed by the Public Sector Accounting Board ("PSAB") for the Chartered Professional Accountants of Canada.

b) Basis of Consolidation:

The consolidated financial statements include the accounts of the District's government administration and Port Hardy Economic Partners Corporation.

All controlled entities are consolidated on a line-by-line basis except for commercial enterprises, which meet the definition of a Government Business Enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transfers are eliminated upon consolidation.

Under the modified equity method of accounting, only the District's investment in the business entities and the entities' net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entities that are different from those of the District, except that any other comprehensive income of the business entities is accounted for as an adjustment to the accumulated surplus or deficit. Inter-organizational transactions and balances are not eliminated for the business entities. The District accounts for its 33% interest in the North Island Community Forest Limited Partnership as well as North Island Community Forest Ltd. on the modified equity basis.

c) Cash:

Cash consists of cash on hand and demand deposits. Cash subject to external restrictions that prevent its use for current purposes is reflected in restricted cash.

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) Investment in Government Business Enterprises:

Investment in Government Business Enterprises are accounted for using the modified equity method.

f) Tangible Capital Assets:

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Amortization is recorded on a straight-line basis over the estimated useful life of the tangible capital asset commencing once the asset is in use. Donated tangible capital assets are recorded at fair value at the time of the donation.

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2022

1. Significant Accounting Policies (continued):

f) Tangible Capital Assets (continued):

Estimated useful lives of tangible capital assets are as follows:

Land Improvements	10 to 40 years
Buildings	20 to 80 years
Computer Equipment	4 to 10 years
Furniture and Equipment	5 to 10 years
Vehicles and Machinery	5 to 20 years
Paving and Lighting	10 to 60 years
Sewer Infrastructure	10 to 100 years
Water Infrastructure	10 to 100 years

g) Collection of Taxes on Behalf of Other Taxation Authorities:

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

h) Deferred Revenue:

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specific purpose.

i) Revenue Recognition:

Revenues are recorded on the accrual basis of accounting and are recorded in the period in which the transaction or events occurred.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. Taxation revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. Through the British Columbia Assessment's appeal process, taxes may be adjusted by way of supplementary roll adjustments. The affects of these adjustments on taxes are recognized at the time they are awarded. Charges for utility usage are recorded as sales of services. Connection fee revenues are recognized when the connection has been established.

Government transfers, which include legislative grants, are recognized when received if the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability.

Sale of goods and services and other revenues are recognized when the service is provided or the amount is earned, when the amount can be estimated and when collection is reasonably assured. Amounts received in advance of services being rendered are recorded as deferred revenue until the District discharges the obligation that led to the collection of the funds.

j) Administration Apportionment:

A percentage of certain budgeted general government services expenses of the District has been allocated to other functions. These expenses include wages of administrative staff and the public works supervisor and utility discounts. Wages are allocated based on actual time spent in various segments, and utilities discounts are allocated based on the percentage of utilities revenue that relates to each segment.

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2022

1. Significant Accounting Policies (continued):

k) Financial Instruments:

Financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the District is not exposed to significant interest rate, currency or credit risk arising from these financial instruments.

l) Use of Estimates:

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of management estimates are the collectability of accounts receivable, estimates of contingent liabilities, the provision of amortization and the estimation of potential environmental liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

m) Liability for Contaminated Sites:

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

Management has assessed its potential liabilities for contaminated sites including sites that are no longer in productive use and sites for which the District accepts responsibility. There is one former landfill site that contains contamination in excess of an environmental standard requiring ongoing monitoring. The estimated costs to continue monitoring the site are not expected to be significant to the financial statements, therefore no liability was recognized as at December 31, 2022 or December 31, 2021.

2. Cash:

	<u>2022</u>	<u>2021</u>
Cash	\$ 204,594	\$ 324,114
CIBC High Interest Savings	13,200,186	11,978,707
Restricted Cash - Cemetery	<u>43,103</u>	<u>42,204</u>
	<u>\$ 13,447,883</u>	<u>\$ 12,345,025</u>

The CIBC high interest savings account is earning interest at 4.69% per annum (2021 - 0.80%).

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2022

3. Accounts Receivable:

	<u>2022</u>	<u>2021</u>
Property Taxes and Utilities	\$ 1,549,555	\$ 1,517,530
Other Governments	108,352	414,345
Trade and Other	619,940	565,555
Allowance for Doubtful Accounts	<u>(413,525)</u>	<u>(364,752)</u>
	<u>\$ 1,864,322</u>	<u>\$ 2,132,678</u>

4. Investment in Government Business Enterprises:

The District has a 33% ownership interest in North Island Community Forestry Ltd. (NICFL) and North Island Community Forest Limited Partnership (NICFLP). The investments in NICFL and NICFLP are reported as a government business enterprise and accounted for using the modified equity method.

As a government business enterprise, the NICFLP is required to report under International Financial Reporting Standards (IFRS). In the prior and current years, the NICFLP financial statements were prepared under Canadian Accounting Standards for Private Enterprises (ASPE). Any differences between ASPE and IFRS are considered to be insignificant.

The summary of the District's investment in government business enterprises is as follows:

	<u>2022</u>	<u>2021</u>
NICFLP	\$ 277,500	\$ 203,389
NICFL	<u>24,291</u>	<u>22,027</u>
	<u>\$ 301,791</u>	<u>\$ 225,416</u>

The condensed supplementary financial information of the District's investments in government business enterprises is as follows:

	<u>2022</u>	<u>2021</u>
Total Assets	\$ <u>1,077,901</u>	\$ <u>698,753</u>
Total Liabilities	174,031	24,008
Total Equity	<u>903,870</u>	<u>674,745</u>
Total Liabilities and Equity	<u>1,077,901</u>	<u>698,753</u>
Revenue	781,986	4,558
Expenses	<u>102,861</u>	<u>82,751</u>
Net Income (Loss)	<u>\$ 679,125</u>	<u>\$ (78,193)</u>

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2022

5. Accounts Payable:

	<u>2022</u>	<u>2021</u>
Other Governments	\$ 114,715	\$ 88,098
Trade and Other	713,054	480,039
Payroll Liabilities	<u>358,816</u>	<u>398,708</u>
	<u>\$ 1,186,585</u>	<u>\$ 966,845</u>

6. Deferred Revenue:

	<u>2021</u>	<u>Collections</u>	<u>Transfers</u>	<u>2022</u>
Prepaid Taxes	\$ 89,501	\$ 93,552	\$ 89,501	\$ 93,552
Prepaid Fees and Charges	30,877	31,839	30,877	31,839
Other Deferred Revenue	<u>580,980</u>	<u>114,204</u>	<u>160,183</u>	<u>535,001</u>
	<u>\$ 701,358</u>	<u>\$ 239,595</u>	<u>\$ 280,561</u>	<u>\$ 660,392</u>

7. Long Term Debt:

The District has debt instruments through the MFA obtained for the purposes of funding capital initiatives approved under loan authorizations. Equipment is financed over a five year period with the exception of the Fire Ladder Truck purchased in 2017 and Fire Fighting Equipment purchased in 2020. Both loans are amortized over a twelve year period with a five year term. The total balance outstanding at year end is as follows:

	<u>2021</u>	<u>Additions</u>	<u>Repayments</u>	<u>2022</u>
2017 Fire Ladder Truck	\$ 732,007	\$ -	\$ 85,425	\$ 646,582
2018 Dodge Dump Truck	20,795	-	20,795	-
2019 International Hook Truck	64,063	-	48,415	15,648
2018 Nissan Rogue	7,808	-	5,549	2,259
2020 Fire Fighting Equipment	168,483	-	20,667	147,816
2020 Generator-Civic Center	47,443	-	17,014	30,429
2020 Seagate Pier Repairs	<u>125,780</u>	<u>-</u>	<u>33,938</u>	<u>91,842</u>
	<u>\$ 1,166,379</u>	<u>\$ -</u>	<u>\$ 231,803</u>	<u>\$ 934,576</u>

Interest is calculated daily on a variable rate basis at a 0.5% spread on top of the CDOR (Canadian Dealer Offered Rate). In 2022, the rate varied between 3.07% and 3.82% (2021 - 1.25% to 1.53%). At December 31, 2022 the rate was 3.82% (2021 - 1.25%). The interest expense on the debt in the year ended December 31, 2022 is \$23,034 (2021 - \$12,107).

Future payments on net outstanding debt over the next five years and thereafter are as follows:

2023	\$ 156,054
2024	137,874
2025	103,803
2026	82,717
2027 and beyond	<u>454,128</u>
	<u>\$ 934,576</u>

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2022

8. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening	Additions	Disposals	Closing	Opening	Amort	Disposals	Closing	2022	2021
General Capital Assets										
Land and Land										
Improvements	\$ 7,044,144	\$ 15,068	\$ -	\$ 7,059,212	\$ 2,602,931	\$ 127,878	\$ -	\$ 2,730,809	\$ 4,328,403	\$ 4,441,213
Buildings	13,894,752	27,586	-	13,922,338	7,591,489	286,681	-	7,878,170	6,044,168	6,303,263
Computer Equipment	236,010	10,338	-	246,348	222,465	-	-	222,465	23,883	13,545
Furniture & Equipment	405,068	-	-	405,068	405,068	-	-	405,068	-	-
Vehicles & Machinery	5,854,807	221,783	95,642	5,980,948	3,560,687	264,987	67,557	3,758,117	2,222,831	2,294,120
Work in Progress	768,184	1,124,228	-	1,892,412	-	-	-	-	1,892,412	768,184
Engineered Structures										
Paving and Lighting	26,771,528	105,780	-	26,877,308	15,661,524	625,072	-	16,286,596	10,590,712	11,110,004
Sewer Infrastructure	17,231,272	151,553	-	17,382,825	8,930,170	411,530	-	9,341,700	8,041,125	8,301,102
Water Infrastructure	19,204,189	29,237	-	19,233,426	9,741,854	477,712	-	10,219,566	9,013,860	9,462,335
	<u>\$91,409,954</u>	<u>\$ 1,685,573</u>	<u>\$ 95,642</u>	<u>\$92,999,885</u>	<u>\$48,716,188</u>	<u>\$ 2,193,860</u>	<u>\$ 67,557</u>	<u>\$50,842,491</u>	<u>\$42,157,394</u>	<u>\$42,693,766</u>

Included in Work in Progress at December 31, 2022 are capitalized costs for various capital projects that are not presently being amortized as a result of the projects still being in progress at year end. The assets are expected to be placed into use during the year ending December 31, 2023 or in future years, at which time amortization will be taken.

9. Accumulated Surplus:

The District segregates its accumulated surplus in the following categories:

	<u>2022</u>	<u>2021</u>
Accumulated Surplus		
Operating Surplus	\$ 7,170,740	\$ 6,745,959
Statutory Reserves	2,495,440	1,891,092
Internally Restricted Reserves	4,239,674	4,615,347
Equity in Tangible Capital Assets	<u>41,222,818</u>	<u>41,527,386</u>
	<u>\$ 55,128,672</u>	<u>\$ 54,779,784</u>

Statutory Reserves

The following reserves funds have been set up by approved bylaw with amounts transferred to and from them by Council resolution for future capital projects.

	<u>2022</u>	<u>2021</u>
Buildings	\$ 2,361	\$ 12,135
Capital Works - General	4,380	4,277
Capital Works - Sewer	839,488	595,866
Capital Works - Water	1,130,321	854,949
Computers	5,319	5,192
Eastside Park	<u>5,278</u>	<u>5,153</u>
Balance Forward	<u>\$ 1,987,147</u>	<u>\$ 1,477,572</u>

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2022

9. Accumulated Surplus (continued):

Statutory Reserves (continued)

	<u>2022</u>	<u>2021</u>
Balance Forward	\$ 1,987,147	\$ 1,477,572
Equipment Replacement	336,311	219,717
Park Development	43,157	42,135
Recreational Facilities	121,701	144,713
Tacan Park	7,124	6,955
	<u>\$ 2,495,440</u>	<u>\$ 1,891,092</u>

Internally Restricted Reserves

The following non-statutory reserves have been set aside by Council for future projects. The non-statutory reserves are not dictated by law and the funds may be allocated to different projects than originally intended.

	<u>2022</u>	<u>2021</u>
Carbon Neutral	\$ 38,495	\$ 32,611
Community Works Fund	1,254,349	1,011,102
COVID-19 Safe Restart Reserve (Schedule 4)	380,000	958,121
Debt Levy	550,650	537,602
Debt Repayment - Water	75,678	54,193
North Island Community Forest	1,395,767	1,418,628
Sewer Equipment Reserve	36,593	152,494
Water Equipment Reserve	280,900	228,739
Tax Stability	227,242	221,857
	<u>\$ 4,239,674</u>	<u>\$ 4,615,347</u>

Community Works Fund:

The Community Works Fund consists of \$1,254,349 of Federal Gas Taxes that remain unspent as at December 31, 2022. The fund received \$239,737 (2021 - \$468,869) in additional receipts and interest of \$28,510 (2021 - \$6,840) in 2022. During 2022, eligible expenditures of \$25,000 (2021 - \$139,510) were made. The unspent amount will remain in reserve until spent on eligible projects.

10. Contingent Liabilities:

- (a) 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 based on its 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) As a member of the Regional District of Mount Waddington, the District is responsible for its portion of operating deficits or the long-term debt related function in which it participates.

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2022

11. Collections for Other Governments:

	<u>2022</u>	<u>2021</u>
Province of British Columbia - School Tax	\$ 1,523,250	\$ 1,421,111
Mount Waddington Regional District	556,155	489,363
Regional Hospital District of Mount Waddington	197,179	172,318
Vancouver Island Regional Library	168,085	159,480
Municipal Finance Authority	152	108
British Columbia Assessment Authority	28,989	23,774
Province of BC - Police Tax	<u>209,648</u>	<u>210,948</u>
	<u>\$ 2,683,458</u>	<u>\$ 2,477,102</u>

12. Pension Plan:

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 are based on a formula. As at December 31, 2022, the plan had about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 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, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The District paid \$190,932 (2021 - \$203,405) of employer contributions while employees contributed \$176,576 (2021 - \$180,192) to the plan in fiscal 2022.

The next valuation will be as at December 31, 2024, with results available in 2025.

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 Consolidated Financial Statements

December 31, 2022

13. Budget:

The Budget amounts represent the Financial Plan Bylaw adopted by Council on May 12, 2022.

The budget anticipated use of surpluses accumulated in previous years to balance against current expenditures in excess of current year revenues. In addition, the budget anticipated capital expenditures rather than amortization expense. The following schedule reconciles the approved bylaw to the amounts presented in the consolidated financial statements.

	<u>2022</u>
Financial Plan (Budget) Bylaw	\$ -
Add:	
Capital Expenditures	5,902,169
Debt Principal Repayments	312,266
Less:	
Debt Incurred	(2,395,000)
Transfers from Reserves	(2,155,252)
Amortization	<u>(2,197,802)</u>
Annual Surplus (Deficit) Presented in Consolidated Financial Statements	\$ <u>(533,619)</u>

14. Comparative Figures:

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

15. Segmented Information:

The District is a local government providing a wide range of service to the residents of Port Hardy, including public works, solid waste and recycling, protective services, recreation, economic development, water, sewer and marine. As a requirement of the Local Government Act, separate financial records must be kept for each service, providing particulars of assets and liabilities, revenues and expenditures, information concerning reserve funds and other pertinent financial details. The segmented information as disclosed in Schedules 2 and 3 reflects those functions offered by the District as summarized below:

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

Transportation Services – Delivers the municipal services related to maintenance of the roads, sidewalks, parks, open space, street lighting and storm drains.

Protective Services – Comprised of the Volunteer Fire Department, the Emergency Preparedness coordinator, building inspection and bylaw enforcement.

Environmental Health Services – Services related to the collection and disposal of solid waste and the recycling program.

Recreation and Culture – Provides recreation and leisure services such as fitness and aquatic programs, the library and the museum.

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2022

15. Segmented Information (continued):

Community Development – Provides economic development services including downtown revitalization, grant proposals and new business and development.

Water – Activities related to the water treatment plant and distribution system.

Sewer – Activities related to the treatment and collection system for waste water.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment, in addition to amounts that are allocated to each segment on a reasonable basis.

16. Subsequent Event:

Subsequent to December 31, 2022, the District received a restricted contribution of \$503,580 distribution from the settlement of an estate. These funds are to be spent on upgrades to the Beaver Harbour Park on or before December 7, 2024.

DISTRICT OF PORT HARDY

Schedule 1 - Government Grants and Transfers to the District and Ratepayers Year Ended December 31, 2022

	2022		2021
	Budget	Actual	
	(Note 13)		
Federal Government			
Gas Tax	\$ 239,737	\$ 239,737	\$ 468,869
Other	-	53,154	67,994
	<u>239,737</u>	<u>292,891</u>	<u>536,863</u>
Province of BC and Other Programs			
General Fund			
Small Communities Grant	619,000	776,000	619,000
Hotel Tax	149,254	192,568	182,019
Other	<u>721,582</u>	<u>108,009</u>	<u>159,082</u>
	<u>1,489,836</u>	<u>1,076,577</u>	<u>960,101</u>
General Capital			
Infrastructure (Provincial)	-	153,974	1,480,385
	<u>\$ 1,729,573</u>	<u>\$ 1,523,442</u>	<u>\$ 2,977,349</u>

DISTRICT OF PORT HARDY

Schedule 2 - Combined Statement of Operations by Segment

Year Ended December 31, 2022

	General Government Services	Transportation Services	Protective Services	Environmental Health Services	Recreation and Culture	Community Development	Water	Sewer	2022 Actual	2022 Budget
Revenues										
Taxation	\$ 3,284,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,284,266	\$ 3,456,824
Payments in Lieu of Taxes	342,049	-	-	-	-	-	-	-	342,049	236,970
Sales of Services	-	467,968	64,955	348,064	154,407	-	1,669,472	1,448,361	4,153,227	4,003,738
Gain on Investment	226,375	-	-	-	-	-	-	-	226,375	-
Government Transfers	776,000	239,737	20,537	-	42,983	444,185	-	-	1,523,442	1,729,573
Other Revenue	402,204	64,198	31,020	1,947	39,897	48,748	74,418	44,021	706,453	418,527
	<u>5,030,894</u>	<u>771,903</u>	<u>116,512</u>	<u>350,011</u>	<u>237,287</u>	<u>492,933</u>	<u>1,743,890</u>	<u>1,492,382</u>	<u>10,235,812</u>	<u>9,845,632</u>
Expenses										
Salaries and Benefits	857,575	635,523	167,139	25,311	855,994	1,613	368,852	284,590	3,196,597	3,513,106
Goods and Services	505,445	618,773	168,971	49,498	256,225	31,520	642,574	335,648	2,608,654	3,509,566
Contracted Services	295,857	395,468	197,424	228,955	251,035	192,366	72,703	222,886	1,856,694	1,122,786
Interest Expense	23,034	-	-	-	-	-	-	-	23,034	35,991
Amortization	13,727	749,135	147,786	-	393,970	-	477,712	411,530	2,193,860	2,197,802
Loss on Disposal of Assets	-	-	-	-	8,085	-	-	-	8,085	-
	<u>1,695,638</u>	<u>2,398,899</u>	<u>681,320</u>	<u>303,764</u>	<u>1,765,309</u>	<u>225,499</u>	<u>1,561,841</u>	<u>1,254,654</u>	<u>9,886,924</u>	<u>10,379,251</u>
Annual Surplus (Deficit)	<u>\$ 3,335,256</u>	<u>\$ (1,626,996)</u>	<u>\$ (564,808)</u>	<u>\$ 46,247</u>	<u>\$ (1,528,022)</u>	<u>\$ 267,434</u>	<u>\$ 182,049</u>	<u>\$ 237,728</u>	<u>\$ 348,888</u>	<u>\$ (533,619)</u>

DISTRICT OF PORT HARDY

Schedule 3 - Combined Statement of Operations by Segment

Year Ended December 31, 2021

	General Government Services	Transportation Services	Protective Services	Environmental Health Services	Recreation and Culture	Community Development	Water	Sewer	2021 Actual	2021 Budget
Revenues										
Taxation	\$ 3,185,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,185,012	\$ 3,346,921
Payments in Lieu of Taxes	234,552	-	-	-	-	-	-	-	234,552	173,089
Sales of Services	-	453,232	81,015	340,428	111,937	-	1,589,356	1,440,301	4,016,269	3,801,762
Loss on Investment	(26,064)	-	-	-	-	-	-	-	(26,064)	-
Government Transfers	619,000	468,869	-	-	1,480,385	409,095	-	-	2,977,349	8,414,343
Other Revenue	264,353	53,455	28,861	2,499	39,307	36,755	29,917	21,708	476,855	401,494
	<u>4,276,853</u>	<u>975,556</u>	<u>109,876</u>	<u>342,927</u>	<u>1,631,629</u>	<u>445,850</u>	<u>1,619,273</u>	<u>1,462,009</u>	<u>10,863,973</u>	<u>16,137,609</u>
Expenses										
Salaries and Benefits	934,536	589,251	147,250	28,980	888,102	1,742	396,173	295,079	3,281,112	3,296,392
Goods and Services	119,902	584,538	167,468	44,242	349,089	23,724	624,929	467,906	2,381,798	3,185,890
Contracted Services	209,509	316,255	204,161	256,246	167,158	172,012	102,048	174,968	1,602,358	1,020,433
Interest Expense	12,107	-	-	-	-	-	-	-	12,107	42,536
Amortization	15,518	742,333	156,640	-	316,833	-	490,954	437,322	2,159,600	1,965,000
Loss on Disposal of Assets	-	6,035	-	-	26,179	-	-	-	32,214	-
	<u>1,291,572</u>	<u>2,238,412</u>	<u>675,519</u>	<u>329,468</u>	<u>1,747,361</u>	<u>197,478</u>	<u>1,614,104</u>	<u>1,375,275</u>	<u>9,469,189</u>	<u>9,510,251</u>
Annual Surplus (Deficit)	\$ <u>2,985,281</u>	\$ <u>(1,262,856)</u>	\$ <u>(565,643)</u>	\$ <u>13,459</u>	\$ <u>(115,732)</u>	\$ <u>248,372</u>	\$ <u>5,169</u>	<u>86,734</u>	\$ <u>1,394,784</u>	\$ <u>6,627,358</u>

DISTRICT OF PORT HARDY

Schedule 4 - COVID-19 Safe Restart Grant - Unaudited

Year Ended December 31, 2022

The District received a grant of \$1,376,000 under the COVID-19 Safe Restart Grant for Local Governments in the year ending December 31, 2020. The details surrounding these funds are shown in the schedule below:

	2022	2021
COVID-19 Safe Restart Funds Available	\$ 958,121	\$ 1,082,656
Interest Earned	-	9,395
Eligible Costs		
Revenue Shortfall	177,000	74,977
Pool Revitalization Project	401,121	-
Wages and Benefits	-	16,672
Equipment	-	19,138
COVID Contracted Services	-	23,143
	<u>578,121</u>	<u>133,930</u>
Balance - End of Year	\$ <u>380,000</u>	\$ <u>958,121</u>