

DISTRICT OF PORT HARDY
Consolidated Financial Statements
December 31, 2023

DISTRICT OF PORT HARDY

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Year Ended December 31, 2023

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DISTRICT OF PORT HARDY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

December 31, 2023

The accompanying consolidated financial statements of the District of Port Hardy as at December 31, 2023 and for the year ended are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Management maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the District's assets are appropriately accounted for and adequately safeguarded.

The District of Port Hardy Mayor and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

Mayor and Council reviews the consolidated financial statements and approves them. Mayor and Council meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the independent auditor's report. Mayor and Council consider their findings when approving the consolidated financial statements for issuance to the Residents.

The consolidated financial statements have been approved by Mayor and Council. In addition, these consolidated financial statements have been audited by Chan Nowosad Boates Inc. in accordance with Canadian generally accepted auditing standards on behalf of the residents. Chan Nowosad Boates Inc. has full access to Mayor and Council for the purpose of their audit.



Noramay Isaac
Director of Financial Services

May 9, 2024



INDEPENDENT AUDITOR'S 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, 2023, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2023, 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 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 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.

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 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.
- 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.

Chan Nowosad Boates Inc

Chan Nowosad Boates Inc.
Campbell River, BC

May 9, 2024

DISTRICT OF PORT HARDY

Consolidated Statement of Financial Position

December 31, 2023

2023

2022

FINANCIAL ASSETS

Cash (Note 3)	\$ 17,200,120	\$ 13,404,780
Accounts Receivable (Note 4)	1,875,876	1,864,322
Investment in Government Business Enterprises (Note 5)	267,335	301,791
Tax Sale Properties	14,591	1,633
Land Held for Resale	<u>7,035</u>	<u>7,035</u>
	<u>19,364,957</u>	<u>15,579,561</u>

LIABILITIES

Accounts Payable (Note 6)	1,692,020	1,186,585
Deposits	38,190	39,140
Deferred Revenue (Note 7)	1,283,771	617,289
Long Term Debt (Note 8)	3,078,523	934,576
Asset Retirement Obligations (Note 9)	<u>2,609,008</u>	<u>-</u>
	<u>8,701,512</u>	<u>2,777,590</u>

NET FINANCIAL ASSETS

10,663,445 12,801,971

NON-FINANCIAL ASSETS

Prepaid Expenses	45,812	38,741
Inventory	177,282	130,566
Tangible Capital Assets (Note 10)	<u>46,997,678</u>	<u>42,157,394</u>
	<u>47,220,772</u>	<u>42,326,701</u>

ACCUMULATED SURPLUS (Note 11)

\$ 57,884,217 \$ 55,128,672

Approved by:



Mayor



Chief Administrative Officer

DISTRICT OF PORT HARDY

Consolidated Statement of Operations

Year Ended December 31, 2023

	2023		2022
	Budget	Actual	
	(Note 15)		
Revenues			
Taxation	\$ 3,508,895	\$ 3,505,720	\$ 3,284,266
Payments in Lieu of Taxes	410,861	333,543	342,049
Sale of Goods and Services	4,271,114	4,506,718	4,153,227
Other Income	751,253	1,554,892	706,453
Income (Loss) from Government Business Enterprises	-	30,544	226,375
Government Transfers (Schedule 1)	<u>4,603,891</u>	<u>3,430,416</u>	<u>1,523,442</u>
	<u>13,546,014</u>	<u>13,361,833</u>	<u>10,235,812</u>
Expenditures			
General Government Services	1,743,299	1,708,272	1,695,638
Transportation Services	2,245,784	2,449,840	2,398,899
Protective Services	700,457	663,601	681,320
Environmental Health Services	326,059	347,528	303,764
Recreation and Culture	2,160,264	1,885,961	1,765,309
Community Development	268,475	267,266	225,499
Water	1,859,503	1,812,310	1,561,841
Sewer	<u>1,552,649</u>	<u>1,471,510</u>	<u>1,254,654</u>
	<u>10,856,490</u>	<u>10,606,288</u>	<u>9,886,924</u>
Annual Surplus (Deficit)	2,689,524	2,755,545	348,888
Accumulated Surplus - Beginning of Year	<u>55,128,672</u>	<u>55,128,672</u>	<u>54,779,784</u>
Accumulated Surplus - End of Year	<u>\$57,818,196</u>	<u>\$57,884,217</u>	<u>\$55,128,672</u>

DISTRICT OF PORT HARDY

Consolidated Statement of Change in Net Financial Assets

Year Ended December 31, 2023

	<u>2023</u>		<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	
	(Note 15)		
Annual Surplus (Deficit)	\$ 2,689,524	\$ 2,755,545	\$ 348,888
(Acquisition) Use of Prepaid Expenses	-	(7,071)	4,875
(Acquisition) Use of Inventories	-	(46,716)	61,255
Recognition of Asset Retirement Obligation Assets	-	(2,609,008)	-
Net Acquisition of Tangible Capital Assets	(9,708,794)	(4,935,498)	(1,657,488)
Amortization of Tangible Capital Assets	<u>2,247,802</u>	<u>2,704,222</u>	<u>2,193,860</u>
	<u>(4,771,468)</u>	<u>(2,138,526)</u>	<u>951,390</u>
Net Financial Assets - Beginning of Year	<u>12,801,971</u>	<u>12,801,971</u>	<u>11,850,581</u>
Net Financial Assets - End of Year	<u>\$ 8,030,503</u>	<u>\$10,663,445</u>	<u>\$12,801,971</u>

DISTRICT OF PORT HARDY

Consolidated Statement of Cash Flows

Year Ended December 31, 2023

2023

2022

Cash Flows From Operating Activities:

Annual Surplus	\$ 2,755,545	\$ 348,888
Items Not Involving Cash		
Amortization of Tangible Capital Assets	2,704,220	2,193,860
Disposal of Tangible Capital Asset	<u>3,378</u>	<u>28,085</u>
	5,463,143	2,570,833
Changes in Non-Cash Operating Balances		
Accounts and Taxes Receivable	(11,554)	268,356
Tax Sale Properties	(12,957)	4,076
Accounts Payable	505,435	219,740
Deposits	(950)	8,440
Deferred Revenue	666,482	(41,865)
Inventory	(46,716)	61,255
Prepaid Expenses	<u>(7,071)</u>	<u>4,875</u>
	<u>6,555,812</u>	<u>3,095,710</u>

Cash Flows From Capital Activities:

Purchase of Tangible Capital Assets	<u>(4,938,875)</u>	<u>(1,685,573)</u>
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Cash Flows From Investing Activities:

Distributions from Government Business Enterprises	65,000	150,000
Loss (Gain) from Government Business Enterprises	<u>(30,544)</u>	<u>(226,375)</u>
	<u>34,456</u>	<u>(76,375)</u>

Cash Flows From Financing Activities:

Proceeds from Long Term Debt	2,300,000	-
Repayments of Long Term Debt	<u>(156,053)</u>	<u>(231,803)</u>
	<u>2,143,947</u>	<u>(231,803)</u>

Increase in Cash	3,795,340	1,101,959
Cash - Beginning of Year	<u>13,404,780</u>	<u>12,302,821</u>
Cash - End of Year	<u>\$ 17,200,120</u>	<u>\$ 13,404,780</u>

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2023

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, 2023

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, 2023

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, 2023 or December 31, 2022.

n) Asset Retirement Obligations:

The District recognizes a liability for an asset retirement obligation when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date.

2. Implementation of New Accounting Standard:

On January 1, 2023, the District adopted Public Accounting Standard PS 3280 - Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. The District determined that the removal of asbestos in District-owned buildings and water network would result in an asset retirement obligation. This standard was adopted under the prospective application method at the date of adoption. Under the prospective application method, an increase in the carrying amount of the related tangible capital asset is recognized in the same amount as the estimated liability as at January 1, 2023.

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2023

3. Cash:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,631,075	\$ 204,594
CIBC High Interest Savings	<u>15,569,045</u>	<u>13,200,186</u>
	<u>\$ 17,200,120</u>	<u>\$ 13,404,780</u>

The CIBC high interest savings account is earning interest at 5.55% per annum (2022 - 4.69%).

4. Accounts Receivable:

	<u>2023</u>	<u>2022</u>
Property Taxes and Utilities	\$ 1,662,299	\$ 1,549,555
Other Governments	12,880	108,352
Trade and Other	594,946	619,940
Allowance for Doubtful Accounts	<u>(394,249)</u>	<u>(413,525)</u>
	<u>\$ 1,875,876</u>	<u>\$ 1,864,322</u>

5. 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>2023</u>	<u>2022</u>
NICFLP	\$ 242,739	\$ 277,500
NICFL	<u>24,596</u>	<u>24,291</u>
	<u>\$ 267,335</u>	<u>\$ 301,791</u>

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2023

5. Investment in Government Business Enterprises (continued):

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

	<u>2023</u>	<u>2022</u>
Total Assets	\$ <u>830,467</u>	\$ <u>1,077,901</u>
Total Liabilities	29,965	174,031
Total Equity	<u>800,502</u>	<u>903,870</u>
Total Liabilities and Equity	<u>830,467</u>	<u>1,077,901</u>
Revenue	265,946	781,986
Expenses	<u>174,314</u>	<u>102,861</u>
Net Income (Loss)	<u>\$ 91,632</u>	<u>\$ 679,125</u>

6. Accounts Payable:

	<u>2023</u>	<u>2022</u>
Other Governments	\$ 213,698	\$ 114,715
Trade and Other	1,133,333	713,054
Payroll Liabilities	<u>344,989</u>	<u>358,816</u>
	<u>\$ 1,692,020</u>	<u>\$ 1,186,585</u>

7. Deferred Revenue:

	<u>2022</u>	<u>Collections</u>	<u>Transfers</u>	<u>2023</u>
Prepaid Taxes	\$ 93,552	\$ 102,936	\$ 93,552	\$ 102,936
Prepaid Fees and Charges	31,839	-	31,839	-
Other Deferred Revenue	<u>491,898</u>	<u>849,120</u>	<u>160,183</u>	<u>1,180,835</u>
	<u>\$ 617,289</u>	<u>\$ 952,056</u>	<u>\$ 285,574</u>	<u>\$ 1,283,771</u>

8. 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 Pool Revitalization loan is amortized over a fifteen year period with a fifteen year term. The total balance outstanding at year end is as follows:

	<u>2022</u>	<u>Additions</u>	<u>Repayments</u>	<u>2023</u>
2017 Fire Ladder Truck	\$ 646,582	\$ -	\$ 71,442	\$ 575,140
2019 International Hook Truck	<u>15,648</u>	<u>-</u>	<u>15,648</u>	<u>-</u>
Balance Forward	<u>\$ 662,230</u>	<u>\$ -</u>	<u>\$ 87,090</u>	<u>\$ 575,140</u>

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2023

8. Long Term Debt (continued):

	<u>2022</u>	<u>Additions</u>	<u>Repayments</u>	<u>2023</u>
Balance Forward	\$ 662,230	\$ -	\$ 87,090	\$ 575,140
2018 Nissan Rogue	2,259	-	2,259	-
2020 Fire Fighting Equipment	147,816	-	17,380	130,436
2020 Generator-Civic Center	30,429	-	16,748	13,681
2020 Seagate Pier Repairs	91,842	-	32,576	59,266
2023 Pool Revitalization	-	<u>2,300,000</u>	-	<u>2,300,000</u>
	<u>\$ 934,576</u>	<u>\$ 2,300,000</u>	<u>\$ 156,053</u>	<u>\$ 3,078,523</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 2023, the rate varied between 3.90% and 4.73% (2022 - 3.07% to 3.82%). At December 31, 2023 the rate was 4.73% (2022 - 3.82%). The interest expense on the debt in the year ended December 31, 2023 is \$44,737 (2022 - \$23,034).

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

2024	\$ 258,620
2025	243,626
2026	228,144
2027	486,705
2028 and beyond	<u>1,861,428</u>
	<u>\$ 3,078,523</u>

The MFA provides capital financing for regional districts and their member municipalities. The MFA is required to establish a debt reserve fund by means of demand notes and interest-bearing cash deposits. The deposit is included in the District's financial statements as Deposits - Municipal Finance Authority. The demand note is disclosed in Note 12 and is not recorded in the financial statements. Upon maturity of a debt issue, the unused portion of the debt reserve fund established for the issue will be discharged to the District. The proceeds from the discharge will be credited to income in the year it is received. At December 31, 2023, the District's debt reserve fund, including cash deposits and demand notes, was \$116,315 (2022 - \$0).

9. Asset Retirement Obligations:

The District has a number of buildings and infrastructures that are still in use which have a legal remediation requirement associated with them. The District estimated that removal and remediation costs for these assets are estimated to total \$2,609,008 (2022 - \$Nil). The assets had an estimated useful life of 40 to 60 years each when purchased, of which 5 to 50 years remain. The timing of post-closure care cannot yet be reasonably estimated, so no discounting has been applied to the liability.

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2023

10. Tangible Capital Assets:

	Cost				Accumulated Amortization				Net Book Value	
	Opening	Additions	Disposals	Closing	Opening	Amort	Disposals	Closing	2023	2022
General Capital Assets										
Land and Land										
Improvements	\$ 7,059,212	\$ 38,745	\$ -	\$ 7,097,957	\$ 2,730,809	\$ 135,046	\$ -	\$ 2,865,855	\$ 4,232,102	\$ 4,328,403
Buildings	13,922,338	1,799,354	20,511	15,701,181	7,878,170	467,830	20,511	8,325,489	7,375,692	6,044,168
Computer Equipment	246,348	100,763	-	347,111	222,465	-	-	222,465	124,646	23,883
Furniture & Equipment	405,068	-	-	405,068	405,068	-	-	405,068	-	-
Vehicles & Machinery	5,980,948	400,779	-	6,381,727	3,758,117	309,485	-	4,067,602	2,314,125	2,222,831
Work in Progress	1,892,412	3,363,771	-	5,256,183	-	-	-	-	5,256,183	1,892,412
Engineered Structures										
Paving and Lighting	26,877,308	481,407	-	27,358,715	16,286,596	725,508	-	17,012,104	10,346,611	10,590,712
Sewer Infrastructure	17,382,825	534,074	6,136	17,910,763	9,341,700	508,842	2,761	9,847,781	8,062,982	8,041,125
Water Infrastructure	19,233,426	828,988	-	20,062,414	10,219,566	557,511	-	10,777,077	9,285,337	9,013,860
	<u>\$ 92,999,885</u>	<u>\$ 7,547,881</u>	<u>\$ 26,647</u>	<u>\$ 100,521,119</u>	<u>\$ 50,842,491</u>	<u>\$ 2,704,222</u>	<u>\$ 23,272</u>	<u>\$ 53,523,441</u>	<u>\$ 46,997,678</u>	<u>\$ 42,157,394</u>

Included in Work in Progress at December 31, 2023 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, 2024 or in future years, at which time amortization will be taken.

11. Accumulated Surplus:

The District segregates its accumulated surplus in the following categories:

	<u>2023</u>	<u>2022</u>
Operating Surplus	\$ 8,276,583	\$ 7,170,740
Statutory Reserves	4,194,505	2,495,440
Internally Restricted Reserves	4,102,980	4,239,674
Equity in Tangible Capital Assets	<u>41,310,149</u>	<u>41,222,818</u>
	<u>\$ 57,884,217</u>	<u>\$ 55,128,672</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>2023</u>	<u>2022</u>
Buildings	\$ 2,489	\$ 2,361
Capital Works - General	4,619	4,380
Capital Works - Sewer	940,523	839,488
Capital Works - Water	<u>1,402,452</u>	<u>1,130,321</u>
Balance Forward	<u>\$ 2,350,083</u>	<u>\$ 1,976,550</u>

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2023

11. Accumulated Surplus (continued):

Statutory Reserves (continued)

Balance Forward	\$ 2,350,083	\$ 1,976,550
Computers	5,608	5,319
Eastside Park	5,565	5,278
Equipment Replacement	282,522	336,311
Growing Communities Fund (Schedule 5)	1,407,873	-
Park Development	45,506	43,157
Recreational Facilities	89,836	121,701
Tacan Park	7,512	7,124
	<u>\$ 4,194,505</u>	<u>\$ 2,495,440</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>2023</u>	<u>2022</u>
Carbon Neutral	\$ 47,699	\$ 38,495
Community Works Fund	1,446,292	1,254,349
COVID-19 Safe Restart Reserve (Schedule 4)	217,934	380,000
Debt Levy	580,616	550,650
Debt Repayment - Water	97,126	75,678
North Island Community Forest	923,935	1,395,767
Sewer Equipment Reserve	195,304	36,593
Water Equipment Reserve	354,466	280,900
Tax Stability	239,608	227,242
	<u>\$ 4,102,980</u>	<u>\$ 4,239,674</u>

Community Works Fund:

The Community Works Fund consists of \$1,446,292 of Federal Gas Taxes that remain unspent as at December 31, 2023. The fund received \$250,527 (2022 - \$239,737) in additional receipts and interest of \$71,306 (2022 - \$28,510) in 2023. During 2023, eligible expenditures of \$129,891 (2022 - \$25,000) were made. The unspent amount will remain in reserve until spent on eligible projects.

12. 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.

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2023

12. Contingent Liabilities (continued):

- (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.
- (c) The District has issued a demand note to the Municipal Finance Authority in the amount of \$93,315 (2022 - \$0). This demand note, together with the cash deposit disclosed in Note 8, is a requirement of the Municipal Finance Authority to fund the Debt Reserve Fund.

13. Collections for Other Governments:

	<u>2023</u>	<u>2022</u>
Province of British Columbia - School Tax	\$ 1,660,477	\$ 1,523,250
Mount Waddington Regional District	600,797	556,155
Regional Hospital District of Mount Waddington	213,784	197,179
Vancouver Island Regional Library	171,446	168,085
Municipal Finance Authority	172	152
British Columbia Assessment Authority	32,607	28,989
Province of BC - Police Tax	<u>244,945</u>	<u>209,648</u>
	<u>\$ 2,924,228</u>	<u>\$ 2,683,458</u>

14. 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, 2023, the plan had about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 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 \$192,005 (2022 - \$190,932) of employer contributions while employees contributed \$177,568 (2022 - \$176,576) to the plan in fiscal 2023.

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

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2023

14. Pension Plan (continued):

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.

15. Budget:

The Budget amounts represent the Financial Plan Bylaw adopted by Council on December 12, 2023.

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>2023</u>
Financial Plan (Budget) Bylaw	\$ -
Add:	
Capital Expenditures	9,708,794
Debt Principal Repayments	362,023
Less:	
Debt Incurred	(1,785,620)
Transfers from Reserves	(3,347,871)
Amortization	<u>(2,247,802)</u>
Annual Surplus (Deficit) Presented in Consolidated Financial Statements	\$ <u>2,689,524</u>

16. 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.

DISTRICT OF PORT HARDY

Notes to Consolidated Financial Statements

December 31, 2023

16. Segmented Information (continued):

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.

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.

17. Cemetery Trust Fund:

The Cemetery Trust Fund is established pursuant to the provision of the Community Charter. Monies in the reserve can be used for cemetery purposes only. A balance of \$45,437 (2022 - \$43,103) was held at December 31, 2023 and is not reported elsewhere in these financial statements.

18. Comparative Figures:

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

DISTRICT OF PORT HARDY

Schedule 1 - Government Grants and Transfers to the District and Ratepayers

Year Ended December 31, 2023

	<u>2023</u>		<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	
	(Note 15)		
Federal Government			
Gas Tax	\$ 239,737	\$ 250,527	\$ 239,737
Other	-	53,154	53,154
	<u>239,737</u>	<u>303,681</u>	<u>292,891</u>
Province of BC and Other Programs			
General Fund			
Small Communities Grant	619,000	596,000	776,000
Hotel Tax	179,583	228,682	192,568
Growing Communities Grant	-	1,971,000	-
Other	<u>3,521,571</u>	<u>209,154</u>	<u>108,009</u>
	<u>4,320,154</u>	<u>3,004,836</u>	<u>1,076,577</u>
General Capital			
Infrastructure (Provincial)	<u>44,000</u>	<u>121,899</u>	<u>153,974</u>
	<u>\$ 4,603,891</u>	<u>\$ 3,430,416</u>	<u>\$ 1,523,442</u>

DISTRICT OF PORT HARDY

Schedule 2 - Combined Statement of Operations by Segment

Year Ended December 31, 2023

	General Government Services	Transportation Services	Protective Services	Environmental Health Services	Recreation and Culture	Community Development	Water	Sewer	2023 Actual	2023 Budget
Revenues										
Taxation	\$ 3,505,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,505,720	\$ 3,508,895
Payments in Lieu of Taxes	333,543	-	-	-	-	-	-	-	333,543	410,861
Sales of Services	-	525,018	127,222	375,571	178,663	-	1,740,889	1,559,355	4,506,718	4,271,114
Gain on Investment	30,544	-	-	-	-	-	-	-	30,544	-
Government Transfers	596,000	250,527	34,914	-	10,908	2,538,067	-	-	3,430,416	4,603,891
Other Revenue	<u>1,127,627</u>	<u>11,820</u>	<u>48,399</u>	<u>2,741</u>	<u>37,120</u>	<u>77,464</u>	<u>162,499</u>	<u>87,222</u>	<u>1,554,892</u>	<u>751,253</u>
	<u>5,593,434</u>	<u>787,365</u>	<u>210,535</u>	<u>378,312</u>	<u>226,691</u>	<u>2,615,531</u>	<u>1,903,388</u>	<u>1,646,577</u>	<u>13,361,833</u>	<u>13,546,014</u>
Expenses										
Salaries and Benefits	960,234	608,700	181,902	25,583	848,562	1,431	419,752	283,611	3,329,775	3,777,848
Goods and Services	130,927	738,134	145,609	42,352	303,059	48,099	764,280	472,652	2,645,112	2,820,166
Contracted Services	382,045	353,941	148,937	279,593	219,642	217,736	70,767	206,405	1,879,066	1,924,099
Interest Expense	44,737	-	-	-	-	-	-	-	44,737	86,575
Amortization	190,329	749,065	187,153	-	511,320	-	557,511	508,842	2,704,220	2,247,802
Loss on Disposal of Assets	-	-	-	-	3,378	-	-	-	3,378	-
	<u>1,708,272</u>	<u>2,449,840</u>	<u>663,601</u>	<u>347,528</u>	<u>1,885,961</u>	<u>267,266</u>	<u>1,812,310</u>	<u>1,471,510</u>	<u>10,606,288</u>	<u>10,856,490</u>
Annual Surplus (Deficit)	\$ <u>3,885,162</u>	\$ <u>(1,662,475)</u>	\$ <u>(453,066)</u>	\$ <u>30,784</u>	\$ <u>(1,659,270)</u>	\$ <u>2,348,265</u>	\$ <u>91,078</u>	\$ <u>175,067</u>	\$ <u>2,755,545</u>	\$ <u>2,689,524</u>

DISTRICT OF PORT HARDY

Schedule 3 - 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
Loss 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	1,614	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	192,365	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 4 - COVID-19 Safe Restart Grant - Unaudited

Year Ended December 31, 2023

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:

	<u>2023</u>	<u>2022</u>
COVID-19 Safe Restart Funds Available	\$ <u>380,000</u>	\$ <u>958,121</u>
Eligible Costs		
Revenue Shortfall	-	177,000
Pool Revitalization Project	90,338	401,121
Security Equipment	<u>71,728</u>	<u>-</u>
	<u>162,066</u>	<u>578,121</u>
Balance - End of Year	\$ <u>217,934</u>	\$ <u>380,000</u>

DISTRICT OF PORT HARDY

Schedule 5 - Growing Communities Grant - Unaudited

Year Ended December 31, 2023

The Province of British Columbia distributed conditional Growing Communities Fund ("GCF") grants to communities at the end of March 2023 to help local governments build community infrastructure and amenities to meet the demands of population growth. The GCF provided a one-time total of \$1 billion in grants to all 161 municipalities and 27 regional districts in British Columbia. The District of Port Hardy received \$1,971,000 in funding in March 2023.

	<u>2023</u>
Balance, Beginning of Year	\$ -
Funds Received	1,971,000
Interest Earned	<u>37,958</u>
	2,008,958
Eligible Costs	
Pool Revitalization Project	<u>601,085</u>
Balance - End of Year	<u>\$ 1,407,873</u>