



**AGENDA
DISTRICT OF PORT HARDY
COMMITTEE OF THE WHOLE MEETING
4:00PM MONDAY, MAY 4, 2015
COUNCIL CHAMBERS, MUNICIPAL HALL
7360 COLUMBIA STREET**

Page

A. CALL TO ORDER

Time:

B. APPROVAL OF AGENDA

Motion required

1.

2.

C. DELEGATION

1. Cory Vanderhorst, CA, of MNP LLP (Auditors) re: MNP, LLP - Presentation of the 2014 Draft Financial Statements, via conference call.

2014 Draft Financial Statements

Recommendation:

The Committee of the Whole recommends that Council approve the 2014 Draft Financial Statements as prepared by staff.

Motion required

1.

2.

D. STAFF REPORTS

1. Allison McCarrick, Director of Financial Services -- Purchase of 2011 Freightliner Dump Truck from Alert Bay. Recommendation:

THAT Council directs staff to purchase the Village of Alert Bay's 2011 Freightliner dump truck and related accessories at a cost of \$85,000 plus provincial sales tax (\$10,200) in accordance with section 175 of the Community Charter, AND FURTHER THAT staff prepare and submit an application to the Municipal Financing Authority to finance this purchase over five years with no option to renew.

Motion required

1.

2.

E. COUNCIL RISES

Time:

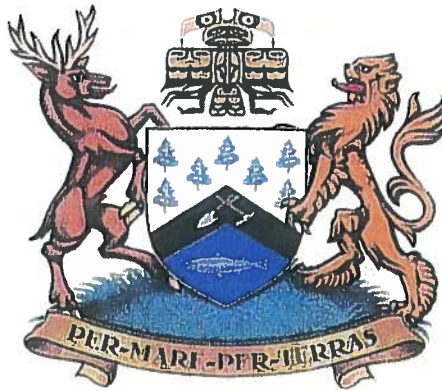
TO BE
DISTRIBUTED

District of Port Hardy

Consolidated Financial Statements

December 31, 2014





THE DISTRICT OF PORT HARDY

2014 ELECTED OFFICIALS

Mayor H. Bood

Councillor P. Corbett-Labatt

Councillor J. Hemphill

Councillor D. Dugas

Councillor R. Marcotte

Councillor F. Robertson

Councillor J. Tidbury

DISTRICT OFFICIALS

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

R. Davidge
A. McCarrick
J. Long
S. Mercer
Staff Sgt. Brownridge
S. Nickerson

MUNICIPAL AUDITORS

MNP LLP

BANKERS

CIBC

District of Port Hardy

December 31, 2014

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

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

Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Council. The Council reviews external Audited Financial Statements annually.

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

A. McCarrick

Chief Financial Officer

Hank Bood

Mayor

Independent Auditors' Report

To the Shareholders
District of Port Hardy

We have audited the consolidated statement of financial position of District of Port Hardy as at December 31, 2014 and the consolidated Statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the district as at December 31, 2014 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

District of Port Hardy
Consolidated Statement of Financial Position
As At December 31, 2014

	2014	2013
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 3,610,933	\$ 3,113,570
Accounts receivable (Note 3)	1,585,629	1,962,298
Investment in Government business enterprises (Note 19)	211,877	237,572
Tax sale properties	13,509	27,725
Land held for resale	506	506
	<u>5,422,454</u>	<u>5,341,671</u>
Financial Liabilities		
Accounts payable and other liabilities (Note 4)	558,154	867,638
Tax sale properties deposits	7,765	33,856
Performance deposits and bonds (Note 5)	12,794	14,900
Deferred revenue (Note 6)	135,082	685,659
Capital leases (Note 8)	642,705	897,605
Capital borrowing (Note 21)	59,600	80,000
Long-term debt (Note 9)	684,287	895,066
	<u>2,100,387</u>	<u>3,474,724</u>
Net Financial Assets	<u>3,322,067</u>	<u>1,866,947</u>
Non-Financial Assets		
Tangible capital assets (Note 10)	39,731,026	41,009,780
Inventory	196,175	206,003
Prepays	68,687	59,449
	<u>39,995,888</u>	<u>41,275,232</u>
Accumulated Surplus (Schedule 3)	<u>\$ 43,317,955</u>	<u>\$ 43,142,179</u>

Commitments and contingencies (Note 16)

Approved by:

A. McCarrick
Chief Financial Officer

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

District of Port Hardy
Consolidated Statement of Operations
For the Year Ended December 31, 2014

	2014	2014 Budget (Note 12)	2013
Revenue			
Taxes	\$ 2,366,928	\$ 2,376,788	\$ 2,295,127
Payments in lieu of taxes	166,292	163,330	163,888
Sewer user rates	1,027,703	1,170,000	1,025,846
Water user rates	1,222,983	1,397,000	1,195,605
Sale of services	1,252,528	786,404	1,124,837
Other revenue	477,479	314,384	387,983
Income from investment in Government business enterprises (Note 19)	174,305	-	291,870
Government transfers from other governments	1,116,914	607,017	1,239,437
	<u>7,805,132</u>	<u>6,814,923</u>	<u>7,724,593</u>
Expenses			
General government services	892,945	942,453	926,695
Transportation services	1,749,519	1,671,838	1,646,468
Protective services	442,703	437,784	457,279
Environmental health services	273,210	282,348	273,990
Recreation and culture	1,387,894	1,325,913	1,274,352
Community development	126,013	166,021	171,028
Water	1,422,665	1,288,067	1,559,189
Sewer	1,334,407	1,363,247	1,413,744
	<u>7,629,356</u>	<u>7,477,671</u>	<u>7,722,745</u>
Annual surplus	175,776	(662,748)	1,848
Accumulated surplus, beginning of year	43,142,179	43,142,179	43,140,331
Accumulated surplus, end of year	<u><u>\$ 43,317,955</u></u>	<u><u>\$42,479,431</u></u>	<u><u>\$ 43,142,179</u></u>

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

District of Port Hardy

Consolidated Statement of Changes in Net Financial Assets As At December 31, 2014

	2014	2014 Budget (Note 12)	2013
Annual surplus	\$ 175,776	\$ (662,748)	\$ 1,848
Acquisition of tangible capital assets	(597,438)	(805,000)	(1,507,743)
Amortization	1,820,611	1,650,000	1,782,876
Loss on disposal of tangible capital assets	19,140	-	13,365
Proceeds on sale of tangible capital assets	36,441	-	-
	<u>1,278,754</u>	<u>845,000</u>	<u>288,498</u>
Acquisition of prepaid expense	(68,687)	-	(59,449)
Acquisition of supplies inventory	9,828	-	(122,232)
Use of prepaid expense	59,449	-	18,693
	<u>590</u>	<u>-</u>	<u>(162,988)</u>
Change in net financial assets	1,455,120	182,252	127,358
Net financial assets, beginning of year	1,866,947	1,866,947	1,739,589
Net financial assets, end of year	<u>\$ 3,322,067</u>	<u>\$ 2,049,199</u>	<u>\$ 1,866,947</u>

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

District of Port Hardy

Consolidated Statement of Cash Flows For the Year Ended December 31, 2014

	2014	2013
Cash Provided By (Used In)		
Operating Activities		
Annual Surplus	\$ 175,776	\$ 1,848
Increase (Decrease) in Non Financial Assets		
Amortization	1,820,611	1,782,876
Loss on disposal of assets	19,140	-
Trade-in of capital asset	(3,300)	-
Change in inventory	9,828	(122,232)
Change in prepaids	(9,238)	(40,756)
	<u>2,012,817</u>	<u>1,621,736</u>
(Increase) Decrease in Financial Assets and Liabilities		
Change in accounts receivable	376,669	1,483,359
Change in loan receivable	-	38,333
Change in accounts payable	(309,484)	103,481
Change in tax sale properties	14,216	(14,813)
Change in tax sale deposits	(26,091)	16,944
Change in performance deposits and bonds	(2,106)	4,900
Change in investment in Government business enterprises	25,695	(191,870)
Change in Actuarial	(44,197)	(36,090)
Change in deferred revenue	(550,577)	(207,298)
	<u>1,496,942</u>	<u>2,818,682</u>
Cash provided by operating transactions		
Capital Activities		
Acquisition of tangible capital assets	(523,316)	(1,392,913)
Proceeds on sale of tangible capital assets	36,441	-
	<u>(486,875)</u>	<u>(1,392,913)</u>
Financing Activities		
Capital lease repaid	(346,122)	(321,580)
Debenture debt repaid	(166,582)	(166,582)
Capital borrowing	-	100,000
	<u>(512,704)</u>	<u>(388,162)</u>
Net increase in cash and cash equivalents	497,363	1,037,607
Cash and cash equivalents at beginning of period	3,113,570	2,075,963
Cash and cash equivalents at end of period	<u>\$ 3,610,933</u>	<u>\$ 3,113,570</u>

Continued on next page

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

District of Port Hardy
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Consolidated Statement of Cash Flows continued.		
Represented by		
Cash	\$ 586,871	\$ 394,338
Investments	3,024,062	2,719,232
	<u>\$ 3,610,933</u>	<u>\$ 3,113,570</u>
Supplemental information		
Interest paid	\$ 156,124	\$ 152,031
Interest received	\$ 53,721	\$ 48,262

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

District of Port Hardy

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2014

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

1. Significant Accounting Policies:

a) Basis of Presentation

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

b) Revenue Recognition

Sources of revenue are recorded on the accrual basis and include revenue in the period in which the transaction or events occurred. Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year. Sale of services and user fee revenues are recognized when the service or product is rendered by the District. Development contributions are recorded as contributed tangible capital assets at their fair value on the date of contribution. Amounts received from non-government sources in advance of services being rendered are recorded as deferred revenue until the obligations that led to the collection of funds has been discharged. The District recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the District recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable. Other revenue is recorded when performance of services is complete, amounts are measurable, and collectibility is reasonably assured. Income from investment in Government business enterprises is recorded using the modified equity method, based on the District's portion of annual earnings from the government business enterprises for the year (see Note 19).

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 held for resale which includes property and chattels is recorded as accrued property tax revenue, interest, penalties, cost of chattels and carrying costs less a provision for potential shortfall of proceeds from a sale or conversion. Inventory for resale is recorded at lower of cost or net realizable value as a financial asset. Inventory of supplies 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, 2014

1. Significant Accounting Policies Continued:

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, performance deposit and bonds and long-term debt. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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.

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2014

1. Significant Accounting Policies Continued:

i) Tangible Capital Assets

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

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

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

j) Recent Accounting Pronouncements

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

2. Cash and cash equivalents

	2014	2013
General revenue fund	\$ 3,599,088	\$ 3,101,852
Reserve accounts	11,845	11,718
	<u>\$ 3,610,933</u>	<u>\$ 3,113,570</u>

The above balances include Municipal Finance Authority money market account \$3,024,062 (2013 - \$2,719,233), carried at cost, which is also equal to market value.

District of Port Hardy
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2014

3. Accounts Receivable

	2014	2013
Property taxes	\$ 624,788	\$ 652,054
Other Governments	313,378	587,183
Trade and other	912,971	974,237
	<u>1,851,137</u>	<u>2,213,474</u>
Less allowance for doubtful accounts	(265,508)	(251,176)
	<u>\$ 1,585,629</u>	<u>\$ 1,962,298</u>

4. Accounts Payable and other liabilities

	2014	2013
Other Governments	\$ 79,654	\$ 64,185
Accrued wages and benefits	255,225	289,435
Trade and other	223,275	514,018
	<u>\$ 558,154</u>	<u>\$ 867,638</u>

5. Performance deposits and bonds

	2014	2013
Performance deposits	\$ -	\$ 10,000
Other deposits	12,794	4,900
	<u>\$ 12,794</u>	<u>\$ 14,900</u>

6. Deferred Revenue

	2014	2013
Prepaid taxes	\$ 31,840	\$ 37,400
Prepaid fees and charges	50,888	51,616
Other deferred revenue	52,354	596,643
	<u>\$ 135,082</u>	<u>\$ 685,659</u>

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2014

7. Federal Gas Tax Funds

As of April 1, 2014, a change in the Gas Tax Agreement has resulted in the District's revisiting the accounting treatment relating to the receipt and expenditure of these funds. As a result, beginning in 2014, Gas Tax transfers will be recorded as revenues when received, then held in surplus, and no longer classified as deferred revenue.

	2014	2013
Opening balance of unspent funds	\$ 512,117	\$ 518,227
Add: Amount received during the year	214,358	204,000
Interest earned	5,644	5,367
Less: Amount spent on eligible projects	(197,094)	(215,477)
Closing balance of unspent funds	\$ 535,025	\$ 512,117

8. Capital Leases

The Municipality leases fire and rescue equipment and a water system under capital leases. The economic substance of the leases is that the Municipality is financing the acquisition of the assets though the leases and accordingly, they are recorded in the Municipality's tangible capital assets and liabilities. (Note 10)

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

2015	\$ 530,064
2016	52,181
2017	36,116
2018	24,885
2019	7,996
Total minimum lease payments	<u>651,242</u>
Less: amount representing interest	<u>(8,537)</u>
Obligations under capital lease	<u>\$ 642,705</u>

Total interest expense during the year was \$14,310 (2013 \$20,184) and interest rates were constant at 2.00% (2.00% in 2013).

District of Port Hardy
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2014

9. Long-Term Debt

	Balance, Beginning of year	Additions	Principal repayments and actuarial recognized	Balance, end of year
Sewer Fund				
Long-term debt	\$ 895,066	\$ -	\$ (210,779)	\$ 684,287

The following represents the principal repayments over the next three years: The loan will be repaid in 2017.

2015	\$ 166,582
2016	166,582
2017	166,582
	<u>\$ 499,746</u>

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

10. Tangible Capital Assets (Schedule 2)

	2014	2013
Land and Improvements	\$ 4,908,534	\$ 4,999,105
Buildings	3,678,211	3,847,743
Furniture and Equipment	2,871	2,871
Vehicles and Machinery	1,387,813	1,484,688
Computer Hardware and Software	12,366	17,313
Engineering Structures		
Roads	12,977,943	13,243,444
Water	6,424,106	6,705,510
Sewer	10,339,182	10,709,106
	<u>\$ 39,731,026</u>	<u>\$ 41,009,780</u>

The cost of capital assets under construction in 2014 is \$NIL (\$NIL in 2013).

The net book value of leased assets in 2014 is \$1,406,023 (\$1,385,257 in 2013)

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

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2014

11. Pension Liability

The Municipality and its employees contribute to the Municipal Pension Plan (Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 30 contributors from the District of Port Hardy.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1.370 billion funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. 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 with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The District of Port Hardy paid \$154,397 (2013-\$129,018) for employer contributions while employees contributed \$143,992 (2013-\$112,937) to the plan in fiscal 2014.

12. Budget Figures

The budget amounts presented throughout these financial statements are based on the Five Year Financial Plan bylaw adopted by Council on March 24, 2014, except in regard to budget amounts for amortization and tangible capital assets.

Annual surplus, as adopted March 24, 2014	0
Add:	
Aquisition of tangible capital assets	\$ 805,000
Debenture principal repayments	520,414
Less:	
Debenture debt issue	(80,000)
Interfund transfers	(1,908,162)
Annual deficit restated	\$ (662,748)

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2014

13. 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.

	2014	2013
School District 85	\$ 1,427,213	\$ 1,398,361
Mount Waddington Regional District	388,020	446,749
Mount Waddington Regional Hospital District	142,860	147,572
B.C. Assessment Authority	28,687	28,320
Municipal Finance Authority	87	86
Provincial Government - Police Tax	176,518	171,839
Vancouver Island Regional Library	129,488	124,568
	<u>\$ 2,292,873</u>	<u>\$ 2,317,495</u>

14. 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, 2014, the balance of funds held in trust was \$29,753 (2013 - \$29,753).

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.

15. Payroll Benefits

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

Vacation liability at December 31, 2014 is \$31,379 (2013 - \$30,926).

Sick leave liability at December 31, 2014 is \$79,030 (2013 - \$96,493).

Severance liability at December 31, 2014 is \$46,051 (2013 - \$34,356).

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2014

16. 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) Legal Actions

Each year the District is involved in certain legal actions. Financial implications of potential claims against the District, resulting from such litigation and not covered by insurance, are accrued to the extent that amounts can be reasonably estimated. Otherwise, such claims are recognized in the year in which a definitive obligation is determined.

c) 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.

d) Airport Wastewater Treatment Facility

The District's outfall at the airport wastewater facility has significant storm damage. The facility is currently operating within the effluent treatment parameters, but significant repairs are needed. The District is evaluating options and anticipates future costs between \$750,000 and \$1,000,000, depending on the planned course of action. The District is working with senior levels of government to formulate an action plan. As at December 31, 2014 no amounts have been accrued in these financial statements for anticipated future costs.

17. Deposit and Reserve - Municipal Finance Authority

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

Details of the cash deposits on hand are:

	2014	2013
Sewer Fund		
Cash Deposits	\$ 25,610	\$ 24,889

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2014

18. Segmented Information

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

Protection

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

Community Development

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

Recreation & Culture

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

Waste Management

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

Public Works

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

General Government

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

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, 2014

19. 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.

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.

	2014	2013
Summary of investment in Government Businesses		
NICFLP	\$ 206,807	\$ 234,245
NICF LTD.	5,070	3,327
	<u>211,877</u>	<u>237,572</u>
Summary of results of operations		
NICFLP	172,562	288,951
NICF LTD.	1,743	2,919
	<u>\$ 174,305</u>	<u>\$ 291,870</u>

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

	2014	2013
Financial Position		
Current and other assets	\$ 667,286	\$ 723,492
Current and other liabilities	31,608	10,729
Partners' capital	635,678	712,763
Results of operations		
Revenues	573,576	919,848
Expenses	50,660	44,239
Net surplus (loss)	<u>\$ 522,916</u>	<u>\$ 875,609</u>

During the year the District received a dividend from the NICFLP of \$200,000 (2013 - \$100,000).

20. 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, 2014

21. Capital Borrowing

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 .5% spread on top of the CDOR rate. In 2014 the rate was 1.74%. Short term borrowing is replaced by long term debt periodically when balances and interest rates are considered inappropriate.

District of Port Hardy

Consolidated Schedule of Segmented Disclosure

For the Year Ended December 31, 2014

Schedule 1
(Note 18)

	General government services				Transportation services				Protective services				Environmental health services				Recreation and culture			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	
Revenues																				
Taxes	\$ 2,366,928	\$ 2,295,127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Payments in lieu of taxes	166,292	163,888	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sale of services	-	-	379,338	323,210	27,823	37,008	251,369	273,008	209,046	209,436										
Income from investment in Government business enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Government transfers from other governments	337,900	340,017	11,014	312,321	-	123,921	-	-	-	-	-	-	-	-	-	-	-	-	-	
Actuarial recognized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other revenue	223,762	152,912	39,669	30,309	53,355	66,939	2,786	3,201	38,275	34,553										
	3,094,882	2,951,944	430,021	665,840	81,178	227,868	254,155	276,209	247,321	243,989										
Expenses																				
Salaries and benefits	695,585	727,551	472,236	440,398	114,402	123,260	17,020	20,596	644,778	605,688										
Goods and services	114,992	122,095	395,919	310,285	172,622	169,483	30,910	29,791	324,147	337,585										
Contracted services	40,494	34,735	236,058	260,063	74,502	78,284	225,280	223,603	141,268	80,899										
Interest	5,833	6,361	-	-	-	-	-	-	-	-										
Amortization	36,041	35,953	645,306	635,722	81,177	86,252	-	-	277,701	250,180										
	892,945	926,695	1,749,519	1,646,468	442,703	457,279	273,210	273,990	1,387,894	1,274,352										
Net Surplus (Deficit)	\$ 2,201,937	\$ 2,025,249	\$ (1,319,498)	\$ (980,628)	\$ (361,525)	\$ (229,411)	\$ (19,055)	\$ 2,219	\$ (1,140,573)	\$ (1,030,363)										

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

District of Port Hardy
Consolidated Schedule of Segmented Disclosure
For the Year Ended December 31, 2014

Schedule 1

	Community development			Water		Sewer		Consolidated		Consolidated		
	2014	2013	2014	2013	2014	2013	2014	2013	Actual	Budget	2013	2013
Revenues												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,366,928	\$ 2,376,788	\$ 2,295,127	\$ 2,296,415
Payments in lieu of taxes	-	-	-	-	-	-	-	-	166,292	163,330	163,888	160,930
Sale of services	-	-	1,468,783	1,329,463	1,166,855	1,174,163	3,503,214	3,353,404	3,346,288	3,346,288	3,211,231	3,211,231
Income from investment in Government business enterprises	174,305	291,870	-	-	-	-	174,305	-	-	-	291,870	-
Government transfers from other governments	768,000	446,834	-	-	-	16,344	1,116,914	607,017	1,239,437	1,239,437	1,474,520	1,474,520
Actuarial recognized	-	-	-	-	44,197	36,090	44,197	-	36,090	-	36,090	-
Other revenue	32,305	31,401	16,636	18,850	26,494	13,728	433,282	314,384	351,893	314,384	351,893	306,307
	974,610	770,105	1,485,419	1,348,313	1,237,546	1,240,325	7,805,132	6,814,923	7,724,593	7,724,593	7,449,403	7,449,403
Expenses												
Salaries and benefits	14,430	56,906	389,409	114,761	242,720	60,191	2,590,580	2,600,000	2,149,351	2,600,000	2,149,351	2,150,000
Goods and services	29,942	28,459	586,191	215,504	373,914	187,925	2,028,637	2,100,000	1,401,127	2,100,000	1,401,127	1,350,000
Contracted services	81,641	85,663	80,633	863,904	153,528	610,209	1,033,404	970,802	2,237,360	970,802	2,237,360	2,212,668
Interest	-	-	9,694	13,179	140,597	132,490	156,124	156,869	152,030	156,869	152,030	138,170
Amortization	-	-	356,738	351,841	423,648	422,929	1,820,611	1,650,000	1,782,877	1,650,000	1,782,877	1,520,000
	126,013	171,028	1,422,665	1,559,189	1,334,407	1,413,744	7,629,356	7,477,671	7,722,745	7,477,671	7,722,745	7,370,838
Net Surplus (Deficit)	\$ 848,597	\$ 599,077	\$ 62,754	\$ (210,876)	\$ (96,861)	\$ (173,419)	\$ 175,776	\$ (662,748)	\$ 1,848	\$ (662,748)	\$ 1,848	\$ 78,565

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

District of Port Hardy
Consolidated Statement of Tangible Capital Assets
For the Year Ended December 31, 2014

Schedule 2

	Costs				Accumulated Amortization						
	Add		Less		Add		Less				
	Opening Balance	Additions	Construction in progress	Disposals	Closing Balance	Opening Balance	Amortization	Accumulated Amortization on Disposals			
Land and Land Improvements	\$ 6,648,186	\$ 141,366	-	\$ (23,107)	\$ 6,766,445	\$ 1,649,081	\$ 208,830	\$ -	\$ 1,857,911	\$ 4,908,534	\$ 4,999,105
Buildings	9,774,892	63,392	-	-	9,838,284	5,927,149	232,924	-	6,160,073	3,678,211	3,847,743
Furniture and Equipment	397,093	-	-	-	397,093	394,222	-	-	394,222	2,871	2,871
Vehicles and Machinery	3,826,973	100,017	-	(82,378)	3,844,612	2,342,285	164,418	(49,904)	2,456,799	1,387,813	1,484,688
Computer Hardware and Software	159,982	-	-	-	159,982	142,669	4,947	-	147,616	12,366	17,313
Engineering Structures	24,452,506	163,606	-	-	24,616,112	11,209,062	429,107	-	11,638,169	12,977,943	13,243,444
Roads	13,087,858	75,334	-	-	13,163,192	6,382,348	356,738	-	6,739,086	6,424,106	6,705,510
Water	16,190,358	53,723	-	-	16,244,081	5,481,252	423,647	-	5,904,899	10,339,182	10,709,106
Sewer											
	\$ 74,537,848	\$ 597,438	-	\$ (105,485)	\$ 75,029,801	\$ 33,528,068	\$ 1,820,611	\$ (49,904)	\$ 35,298,775	\$ 39,731,026	\$ 41,009,780

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

District of Port Hardy
Consolidated Statement of Accumulated Surplus
For the Year Ended December 31, 2014

Schedule 3

	2014	2013
Surplus		
Invested in tangible capital assets	\$ 38,348,734	\$ 39,137,109
Operating funds	3,603,958	2,677,108
	<u>41,952,692</u>	<u>41,814,217</u>
Reserves		
Buildings	137,462	135,984
Computers	20,746	20,523
Equipment replacement	207,028	204,802
General capital works	189,871	187,964
Park development	38,516	38,102
Recreation facilities	100,078	76,246
Sidewalks and roads	179,621	177,690
Tax sale	17,008	16,825
	<u>890,330</u>	<u>858,136</u>
Water Reserve Fund		
Water capital works	160,780	159,051
Sewer Reserve Fund		
Sewer capital works	314,153	310,775
	<u>1,365,263</u>	<u>1,327,962</u>
Accumulated Surplus, end of year	<u><u>\$ 43,317,955</u></u>	<u><u>\$ 43,142,179</u></u>

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