

**AGENDA
DISTRICT OF PORT HARDY
COMMITTEE OF THE WHOLE
6:00 PM APRIL 23, 2019
COUNCIL CHAMBERS - 7360 COLUMBIA STREET**



We respectfully acknowledge that this meeting is being held on the traditional territory of the Kwakiutl People, Gilakas'la

Mayor: Dennis Dugas
 Councillors: Pat Corbett-Labatt, Janet Dorward, Fred Robertson, Treena Smith, John Tidbury and Leightan Wishart
 Staff: Allison McCarrick, CAO; Heather Nelson-Smith, Director of Corporate Services; Lynda Sowerby, Director of Financial Services; Abbas Farahbakhsh, Director of Operations

Page	A. CALL TO ORDER	Time:
	B. APPROVAL OF AGENDA	
	Motion	1. 2.
	C. STAFF REPORT	
1-2	1. Heather Nelson-Smith, Director of Corporate Services re: Sign Bylaw Update.	
3-13	a) Bylaw No. 08-2009 A Bylaw to Regulate Signs within the District of Port Hardy. Background information.	
	D. DELEGATE	
14-49	1. Janna Olynyk, MNP re: District of Port Hardy Audit Findings Report , 2018 and Draft Financial Statements.	
50-51	2. Janna Olynyk, MNP re: Independent Auditor's Report.	
	<i>Recommendation to Council: THAT the District of Port Hardy Audit Results and Communications be accepted, AND FURTHER THAT the District of Port Hardy 2018 Audited Consolidated Financial Statements be accepted.</i>	
	Motion	1. 2.
	E. ADJOURNMENT	Time:
	Motion	1. 2.



DISTRICT OF PORT HARDY

STAFF REPORT



DATE: February 5, 2019 **FILE:** Reports to CAO
TO: Allison McCarrick, Chief Administrative Officer
FROM: Heather Nelson-Smith, Director of Corporate & Development Services
RE: **Sign Bylaw Update**

PURPOSE

To review the District of Port Hardy Sign Regulation Bylaw No. 1036-2014 and discuss the inclusion of sandwich boards for home based businesses in residential zones.

BACKGROUND / ANALYSIS

The District home occupation regulation provisions in the Port Hardy Zoning Regulation Bylaw No.1010-2013:

- (a) *No variation of the residential character or appearance of land or buildings shall be permitted in association with a minor home occupation;*
- (b) *A minor home occupation shall not generate more than one client or customer visit to the dwelling in which the minor home occupation is located on any calendar day;*

SIGN REGULATION BYLAW NO.1036-2014

Definition:

"Sandwich Board Sign" means a free standing portable sign consisting of two panels that are hinged on their upper edges.

Current bylaw only permits sandwich boards to be in any zone that is not residential. Residential home based businesses are only permitted to have a free standing, window or facia signs.

Regulations regarding sandwich boards:

- (c) *Sandwich board signs are permitted on public property subject to the following regulations:*
 - (i) *A sandwich board sign will be permitted on municipal sidewalks provided there is a clear path of 152 cm (60") to accommodate residents requiring mobility assistance and/or assistance animals.*
 - (ii) *A sandwich board sign will only be permitted provided that an application for placement is applied for and obtained and subject to all other conditions as may be required by the District of Port Hardy;*
 - (iii) *The sandwich board sign shall be restricted to one sign per business and placed on or immediately adjacent to the same property as the premises to which the subject matter of the sign is located;*
 - (iv) *No sandwich board sign shall be illuminated or electrified; and*
 - (v) *The sign shall not exceed a maximum of 0.74 m² per side except when placed on a sidewalk abutting the place of business in which case the sign shall not exceed a maximum size of 0.557 m² and shall permit unobstructed pedestrian and handicap passage.*

CONCERNS BROUGHT FORTH TO COUNCIL:

Those that operate home based seasonal businesses, such as produce stands and nurseries would have to have fixed signage to the house or on the property to indicate their business, but the complaint is this does not provide much exposure. In addition, properties with fixed signage are more difficult to find, especially when these properties are located on a dead end street.

CONSIDERATIONS:

For discussion, Council could consider regulating sandwich boards in residential zones with similar regulations as in commercial zones or create a new regulation for residential sandwich boards including:

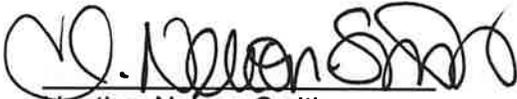
- Permitted on boulevards and right of ways or only on the property.
- Distance sign can be from property where business is located.
- Signs only permitted where frontage space available, example: a road with no sidewalks or boulevards where the private property abuts the road edge.
- Neighbourhood approval.
- Limit on quantity of sandwich boards per business or per block.
- Requirement to prove liability insurance.
- Professionally designed.

STAFF RECOMMENDATION

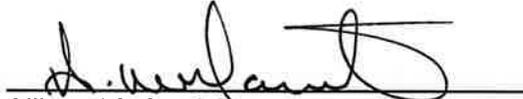
THAT Council provide staff with direction on whether an amendment to Sign Regulation Bylaw No.1036-2014 to permit the inclusion of sandwich board signs in residential zones be completed.

Respectfully submitted,

I support this recommendation,



Heather Nelson-Smith
Director of Corporate &
Development Services



Allison McCarrick
Chief Administrative Officer



**DISTRICT OF PORT HARDY
BYLAW NO. 08-2009**

**A Bylaw to Regulate Signs within the District of Port Hardy
Amended: Bylaw 1036-2014 October 28, 2014
Consolidated for Convenience only**

GIVEN that Council considers it expedient and desirable to regulate signage in the District of Port Hardy;

The Council of the District of Port Hardy enacts as follows:

1. Citation

This bylaw may be cited as “District of Port Hardy Sign Regulation Bylaw 08-2009”

2. Definitions

In this bylaw:

- (a) “Animated Sign” means a sign which includes action or motion or colour changes of all or any part of the sign.
- (b) “Billboard Sign” means a non-accessory sign which directs attention to a business, commodity, service, entertainment or thing conducted, sold or offered at a location other than the property on which the sign is located.
- (c) “Canopy Sign” means a sign, with or without raised individual letters, which is constructed as an integral part of the curved, oblique or slanting surface of a canopy projecting from the façade of a building or structure.
- (d) “Directional Sign” means a permanent sign that only communicates information regarding vehicular or pedestrian movement on the parcel on which it is located.
- (e) “Directory Sign” means a sign consisting of only the names, locations and home occupations of the occupants of a building or other premises, or the activities of a religious, community or service organization.
- (f) “Façade” means the front or principal face of a building or structure.
- (g) “Fascia Sign” means a single-sided sign, with or without raised individual letters, displayed on and attached to the façade of a building, with its display surface parallel to and not protruding more than 30 cm from the façade and extending neither beyond the width of the building nor above the roof of the building.
- (h) “Flashing Sign” means any directly or indirectly illuminated sign on or in which artificial light is not maintained stationary and constant in intensity and colour at all times.
- (i) “Free Standing Sign” means a sign that is self-supported or supported by a structure that is independent of any building or other structure which may have advertising on any face.

- (j) "Illuminated Sign" means a sign designed to give forth any artificial light, either directly from a source of light incorporated in or connected with such signs or indirectly from an artificial source, so shielded that no direct illumination from it is visible elsewhere than on the sign and in the immediate proximity thereof.
- (k) "Institution" means a hospital, police detachment, government facility, school or post-secondary facility.
- (l) "Non-accessory Sign" means a sign which directs attention to a business, commodity, service, entertainment or thing not related to or located on the property on which the sign is located.
- (m) "Off-site Institution Sign" means a third party sign which indicates the distance and direction to an institution located within the District of Port Hardy.
- (n) "Political Sign" means a sign erected to promote the voting at an election in favour of a particular candidate or in support of a particular cause.
- (o) "Projecting Sign" means a sign, other than a Canopy or Fascia Sign, which is attached to and projects more than 30 cm perpendicular from a structure or building façade.
- (p) "Real Estate Sign" means a sign indicating that the property on which it is located is for sale, rent or has been sold or rented.
- (q) "Roof Sign" means a sign located wholly above the roof line.
- (r) "Sandwich Board Sign" means a free standing portable sign consisting of two panels that are hinged on their upper edges.
- (s) "Sign" means any structure, device or visual display which communicates information or attracts the attention of persons for any purpose and which is visible from a street, but does not include stained glass windows or windows with painted artwork provided they do not include advertising messages.
- (t) "Sign Area" means the total area within which the face of a sign could be completely contained. The area of a free standing sign shall be exclusive of any supporting structure but shall include the sum of all faces visible to the public.
- (u) "Temporary Sign" means a sign displayed for a limited period of time in accordance with this bylaw.
- (v) "Warning Sign" means a sign warning of a danger to persons or property.
- (w) "Window Sign" means a sign affixed in any manner or form to the interior or exterior of a window including a window in a door and visible from a street.
- (x) "Zones" means the corresponding zones into which the District of Port Hardy is divided in accordance with District of Port Hardy Zoning Bylaw No. 1010-2013.

3. Permits and Approvals

- (a) Except as provided in s. 4, every person shall, before erecting, placing, rebuilding, reconstructing, altering or moving any sign, make application for and obtain all necessary permits and approvals as required by the District of Port Hardy.
- (b) Every application shall be accompanied by:
 - (i) Plan or plans of the sign drawn to scale.
 - (ii) The dimensions, maker's name and weight of the sign and, where applicable, the dimensions of the wall surface of the building to which it is to be attached.
 - (iii) The maximum and minimum height of the sign.
 - (iv) The proposed location of the sign in relation to the façade of the building, in front of which it is to be erected.
 - (v) The proposed location of the sign in relation to the boundaries of the lot upon which it is to be situated.
 - (vi) If the sign is to be illuminated, the colours to be used and the technical means by which this is to be accomplished.
 - (vii) A sketch showing where the sign is to be attached to the existing building.
- (b) Signs that are not specifically permitted in this bylaw are prohibited.

4. Signs Not Requiring a Permit

- (a) Notwithstanding subsection (3)(a), the following sign types are permitted in all zones and do not require a permit:
 - (i) temporary fascia, freestanding or window signs of not more than 0.5 m² pertaining to the sale, lease, hire, rental or viewing of the property on which the sign is located;
 - (ii) temporary fascia, freestanding, window or fence signs of not more than 0.5 m² per contractor providing information on the contractors or consultants engaged in the construction, alteration or demolition of a building or structure;
 - (iii) temporary fascia, freestanding or window signs pertaining to a political campaign or election;
 - (iv) "No trespassing" or other warning signs;
 - (v) directional signs including fascia and freestanding signs providing information with regard to points of entry and exit, traffic circulation, access, parking or floor plan of the property or building on which the sign is located;

- (vi) any sign erected on land owned by or under the responsibility of the District of Port Hardy including, but not limited to, parks and highways, or any sign authorized by or erected by the District of Port Hardy, Regional District of Mount Waddington, Province of British Columbia or Government of Canada;
- (vii) any sign displayed pursuant to the *Highways Act*, the *Motor Vehicle Act*, the *Local Government Act* or any other statute,
- (viii) any sign displayed pursuant to the District of Port Hardy Development Application Procedures Bylaw; or
- (ix) directory signs including any fascia, freestanding or window sign providing the name, address or home occupation of the occupant of the dwelling or premises on which the sign is located.

5. Prohibited Signs

- (a) The following types of signs are not permitted in any zone:
 - (i) Animated signs
 - (ii) Billboard signs
 - (iii) Flashing signs
 - (iv) Non-accessory signs
 - (v) Roof signs
 - (vi) Any sign that obstructs any part of a doorway, public road or right-of-way, fire escape or in any location where it might obstruct pedestrian, handicapped or vehicular traffic.
- (b) As an exception to subsection 5(a)(iii), a flashing “Open” sign may be installed in all commercial and industrial zones, provided the sign does not exceed 0.2 m².
- (c) As an exception to subsection 5(a)(iv), off-site institution signs may be installed as highway signs under permit from the District.

6. Illuminated Signs

- (a) All canopy, fascia, freestanding, projecting and window signs may be illuminated.
- (b) The lighting source for illuminated signs must be downcast or shielded so as not to cast light upwards or to shine directly onto neighbouring premises or into the direction of oncoming traffic.

7. Erection of Signs

- (a) No person shall erect, construct, paint or post on a building or structure, or otherwise exhibit a sign within the municipality except:
- (i) a sign permitted by this Bylaw, or
 - (ii) a sign that complies with the regulations of this bylaw and that relates to or identifies a use on the property on which the sign is located,
- unless the sign is within a building and not visible from outside of the building.
- (b) No person shall erect a sign that interferes with the ability of drivers of motor vehicles to see:
- (i) oncoming traffic proceeding on the highway adjoining the sign or on intersecting highways, or
 - (ii) a traffic control device.
- (c) No sign, nor any guy, stay, or attachment thereto shall be erected, placed or maintained by any person on rocks, fences or trees, except in the case of temporary signs complying with this bylaw which are painted upon or affixed to a temporary construction fence or boarding erected on a construction site only, for a time period not exceeding the period of construction. No sign, guy, stay, or attachment thereto shall interfere with any electric light, power, telephone or telegraph wires, or the supports thereof.
- (d) Every sign shall be of such a design that all framework and other rigid devices required for the lateral support of the sign shall be contained within the sign's body or within the structure or building to which it is attached, in such a manner as not to be visible to any person.
- (e) A comprehensive sign plan may be required for the business premises which occupy the entire frontage in one or more block fronts or for the whole of a commercial/retail development. Such a plan shall include the location, size, height, colour, lighting and orientation of all signs.
- (f) No temporary sign may be left in place for more than two months or, in the case of real estate signs, until the premises are sold, leased or rented, whichever is longer. In the case of community event or activity signs and political campaign or election signs, these may not be erected more than 30 days prior to the event or election and must be removed not more than seven days after the event or election.

8. Types of Signs

- (a) The following signs are permitted in residential zones:
- (i) Home Occupation;
 - (ii) Bed and Breakfast identification signs;

- (iii) real estate signs; and
- (iv) political signs.
- (b) The types of signs permitted in all zones are prescribed in Sign Schedule B.
- (c) Sandwich board signs are permitted on public property subject to the following regulations:
 - (i) A sandwich board sign will be permitted on municipal sidewalks provided there is a clear path of 152 cm (60") to accommodate residents requiring mobility assistance and/or assistance animals.
 - (ii) A sandwich board sign will only be permitted provided that an application for placement is applied for and obtained and subject to all other conditions as may be required by the District of Port Hardy;
 - (iii) The sandwich board sign shall be restricted to one sign per business and placed on or immediately adjacent to the same property as the premises to which the subject matter of the sign is located;
 - (iv) No sandwich board sign shall be illuminated or electrified; and
 - (v) The sign shall not exceed a maximum of 0.74 m² per side except when placed on a sidewalk abutting the place of business in which case the sign shall not exceed a maximum size of 0.557 m² and shall permit unobstructed pedestrian and handicap passage.
- (d) Freestanding Bed & Breakfast signs must not be located within two metres of the front lot line. In the case of a corner lot, the sign must not come closer to the intersection than the area bounded by the intersection lot lines at a street corner and a line joining points along said lot line 6 metres from their points of intersection.
- (e) A fascia sign shall not protrude more than 30 cm from the façade and shall not extend beyond the width of the building nor above the roof of the building.

9. Enforcement

- (a) No person shall erect, place, rebuild, reconstruct, alter or move any sign or do any act contrary to or in a manner contrary to any direction, instruction, specification or provision contained in or adopted by this bylaw or any notice lawfully given or posted pursuant to the provisions of this Bylaw.
- (b) Where any sign or part thereof contravenes this bylaw or where any sign is in such a condition as to be in danger of falling or is a menace to the safety of persons or property, the Building Inspector shall give to the owner, or occupier of the lot on which the sign is located, or to the person in charge of the sign, written notice specifying the danger or the violation, ordering the cessation thereof and requiring either the removal of the sign or the carrying out of remedial work in the time and in the manner that the notice shall specify.

10. Offence and Fine

Every person who contravenes a provision of this bylaw is guilty of an offence is liable on summary conviction to a fine of not more than ONE THOUSAND DOLLARS (\$1,000.00).

11. Severability

If any portion of this bylaw is declared invalid by a court of competent jurisdiction, then the invalid portion must be severed and the remainder of the bylaw is deemed valid.

12. Schedules

Schedule A – Regulations for Signs Permitted in All Zones
Schedule B – Regulations for Signs Permitted in Specific Zones

Read a first time this 8th day of September, 2009.

Read a second time this 8th day of September, 2009.

Read a third time this 8th day of September, 2009.

Adopted this 13th day of October, 2009.

Original signed by:

Director
of Corporate Services

Mayor

Certified to be a true copy of District of Port Hardy
Sign Regulation Bylaw 08-2009.

Director of
Corporate Services

Sign Schedule A

REGULATIONS FOR SIGNS PERMITTED IN ALL ZONES

TYPE OF SIGN	MAXIMUM SIZE	FORM	APPEARANCE	LOCATION	NUMBER
Community Activity	1 m ²	any	unilluminated	below eaves	1 facing each highway
Directional	1 m ²	surface or free standing	unilluminated fixed	below eaves or ground	as many as required
Directory	2 m ²	surface or free standing	unilluminated fixed	front yard or entrance	1 for each entrance
Home Identification	1 m ²	surface or free standing	unilluminated fixed	front yard or front wall of residence	1
Political	1 m ²	surface or free standing	unilluminated fixed	below eaves	1 facing each highway
Public Building	1 m ²	surface or free standing	unilluminated fixed	below eaves	1 facing each highway
Prohibition	1 m ²	surface or free standing	unilluminated fixed	below eaves	1 facing each highway
Real Estate	1 m ²	free standing	unilluminated fixed	ground	1 facing each highway
Warning	1 m ²	surface or free standing	unilluminated	below eaves	any number

**Sign Schedule B
REGULATIONS FOR SIGNS PERMITTED IN SPECIFIC ZONES**

Amended
BL 1036-2014

Types of Signs Permitted in Specific Zones and Provisions						
Zone	Canopy	Fascia	Free-standing	Projecting	Sandwich Board	Window
R-1: Single Detached Residential	X	One per parcel, max 0.56 m ²	One per parcel, max 0.56 m ² , max height 1.2 m	X	X	One per parcel, max 0.56 m ²
R-1s: Strata Residential	X	One per parcel, max 0.56 m ²	One per parcel, max 0.56 m ² , max height 1.2 m	X	X	One per parcel, max 0.56 m ²
R-2: Duplex Residential	X	One per parcel, max 0.56 m ²	One per parcel, max 0.56 m ² , max height 1.2 m	X	X	One per dwelling unit, max 0.56 m ²
R-3: Manufactured Home Residential	X	One per parcel, max 1.0 m ²	One per parcel, max height 2.7 m, max 1.0 m ²	X	X	One per dwelling unit, max 0.56 m ²
RM-1: Multiple Unit Residential	X	One per parcel, max 1.0 m ²	One per parcel, max height 2.7 m, max 1.0 m ²	X	X	One per dwelling unit, max 0.56 m ²
RR-1: Rural Residential	X	One per parcel, max 0.56 m ²	One per parcel, max 0.56 m ²	X	X	One per dwelling unit, max 0.56 m ²
C-1: General Commercial	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
C-2: Service Commercial	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
C-3: Town Centre Commercial	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
C-4: Commercial Animal Services	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater

C-5: Tourist Commercial	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
M-1: Marine Commercial	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
M-2: Marine Industrial	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
M-3: Marine Forest Industrial	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
M-4: Seaplane Base	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
W-1: Waterfront	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
I-1: Light Industrial	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
I-2: Heavy Industrial	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
A-1: Airport	Any number, copy on max 25% of canopy area	Any number and size	Any number and size	Any number and size	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater

P-1: Parks and Open Space	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
P-2: Institutional	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
GH-1: General Holdings	Any number, copy on max 25% of canopy area	One per bldg face, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
CD-1: Comprehensive Development 1	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
CD-2: Comprehensive Development 2	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
CD-3: Comprehensive Development 3	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
CD-4 Comprehensive Development 4	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater
CD-5: Comprehensive Development 5	Any number, copy on max 25% of canopy area	One per business, max height 2.7 m	One per property, max height 5 m	One per business, max 0.4 m ²	One per business, max height 1.0 m, max width 0.6 m	One per business, max 1.0 m ² or 25% of the window area, whichever is greater

X= Not permitted.

Note 1: Maximum size for fascia and free-standing signs:

on business frontages up to 8 m	1.5 m ²
on business frontage over 8 m and up to 16 m	2.0 m ²
on business frontages over 16 m	2.5 m ²

“max” as noted in Sign Schedule B is to be read as maximum

**District of Port Hardy
Audit Findings Report**

For the Year Ending December 31, 2018

For presentation at the Mayor and Council meeting April 23, 2019

April 23, 2019

To the Mayor and Council of the District of Port Hardy

Dear Mayor and Council:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of the District of Port Hardy (the "District") as at December 31, 2018 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as Mayor and Council.

We have completed our audit of the consolidated financial statements of the District which has been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Audit Report will provide an unqualified opinion to the Mayor and Council of the District.

This report is intended solely for the information and use of Mayor and Council, and management and should not be distributed to or used by any other parties than these specified parties.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from management and employees with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

MNP LLP

MNP LLP
Chartered Professional Accountants

/es

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INTRODUCTION

As auditors, we report to the Mayor and Council on the results of our examination of the consolidated financial statements of the District of Port Hardy (the "District") as at and for the year ended December 31, 2018. The purpose of this Audit Findings Report is to assist you, as members of Mayor and Council., in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures. We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

ENGAGEMENT STATUS

We have completed our audit of the consolidated financial statements of the District and are prepared to sign our Auditor's Report subsequent to completion of the following procedures:

- Receipt of the remaining outstanding legal confirmations;
- Receipt of the signed management representation letter;
- The Mayor and Council's review and approval of the consolidated financial statements.

We expect to have the above procedures completed and to release our Audit Report on April 24, 2019.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

CHANGES FROM AUDIT SERVICE PLAN

There were no deviations from the Audit Service Plan previously presented to you.

AREAS OF AUDIT EMPHASIS

The following lists the key areas of our audit emphasis for your District:

- Financial Statement Presentation and Disclosure;
- Contingencies, Lawsuits and Commitments; and
- Fraud and Error.

Detailed information on Areas of Audit Emphasis is included as Appendix B to this report.

FINAL MATERIALITY

Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the District, and is affected by our assessment of materiality and audit risk.

Final materiality used for our audit was \$300,000 for the year ended December 31, 2018. This represents approximately 3% of annual revenue.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

Our audit process focuses on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.

It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.

We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to Mayor and Council, on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.

While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.

DIFFICULTIES ENCOUNTERED

No significant limitations were placed on the scope or timing of our audit.

IDENTIFIED OR SUSPECTED FRAUD

Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.

While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.

IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS

Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the consolidated financial statements.

MATTERS ARISING IN CONNECTION WITH RELATED PARTIES

No significant matters arose during the course of our audit in connection with related parties of the District.

GOING CONCERN

We have not identified any material uncertainties related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern.

We are of the opinion that the going concern assumption is appropriate in preparation of the consolidated financial statements.

AUDITORS' VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES

The application of Canadian public sector accounting standards allows and requires the District to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your District's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

Accounting Policies

- The accounting policies used by the District are appropriate and have been consistently applied.
- We noted the following newly adopted, and changes in, accounting policies:
 - The District adopted new PSAB accounting standards for Assets, Contingent Assets, Contractual Rights, Related Party Transactions and Inter-entity transactions. There was no effect on the consolidated financial statements from the adoption of these new accounting standards..

Accounting Estimates

Employee future benefits

- Accruals made for expected future payments for employee sick leave, vacation and severance benefits calculated based on obligations as determined by collective agreements and contractual arrangements.

Liability for contaminated sites

- No provision deemed necessary.

Allowance for doubtful accounts

- Provision for accounts receivable related to amounts management has assessed to be uncollectible - \$361,735.

Provision for legal contingencies

- No provision deemed necessary.

Amortization period of tangible capital assets

- Amortized over the estimated useful life of the respective assets. All assets were amortized under the straight-line method, over 3 to 100 years.

Financial Statement Disclosures

The disclosures made in the notes to the consolidated financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the consolidated financial statements.

MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT

We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the District.

There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.

MATTERS ARISING IN THE AUDIT OF COMPONENTS

- No issues were noted with the North Island Community Forest Limited Partnership that would have a significant affect on the District's consolidated financial statements..

SIGNIFICANT DIFFERENCES

No significant differences were proposed to management with respect to the December 31, 2018 consolidated financial statements.

MODIFICATIONS TO THE INDEPENDENT AUDITOR'S REPORT

As discussed earlier, our independent auditor's report will provide an unqualified opinion to the Mayor and Council .

MANAGEMENT REPRESENTATIONS

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit.

AUDITOR INDEPENDENCE

We confirm to Mayor and Council. that we are independent of the District. Our letter to Mayor and Council. discussing our independence is included as part of the additional materials attached to this report.

APPENDIX A – MNP Audit Process

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the consolidated financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the District and its environment, including management's internal controls (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the consolidated financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall consolidated financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees;
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements;
- Not directly related to items that are material to the consolidated financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements.

APPENDIX B – Areas of Audit Emphasis

FINANCIAL STATEMENT PRESENTATION AND DISCLOSURE

Audit Procedures:

- We have reviewed the consolidated financial statements and concluded that the corresponding presentation and disclosure is in accordance with Canadian Public Sector Accounting Standards.
- We have participated in discussions with Management on all significant transactions during the course of the past 12 months, and have assisted in ensuring appropriate treatment and disclosure.

We have concluded that the District's consolidated financial statements have been appropriately presented and appropriate disclosures have been made in accordance with Canadian Public Sector Accounting Standards.

CONTINGENCIES, LAWSUITS AND COMMITMENTS

Audit Procedures:

- We made detailed inquiries of Management and reviewed both minute books and legal files to identify contingencies, lawsuits and commitments. No items not already brought to our attention and/or disclosed in the notes to the financial statements were noted.
- We have received all relevant legal letters and Management's representation letter attesting to the completeness of issues of this nature.

We have concluded that contingencies, lawsuits and commitments have been appropriately accounted for and disclosed in the District's consolidated financial statements.

FRAUD AND ERROR

Audit Procedures:

- Obtained from Management an assessment of the entity's susceptibility to material misstatements arising from fraud or error.
- Discussed with Management the entity's susceptibility to material misstatements arising from fraud or error.
- Obtained Management representations concerning fraud and error.

We concur with Management's assessment that the District's susceptibility to material misstatements arising from fraud or error is reasonably low.

Independence Communication

April 23, 2019

Mayor and Council
District of Port Hardy
P O Box 68
Port Hardy, BC V0N 2P0

Dear Mayor and Council:

We have been engaged to audit the consolidated financial statements of District of Port Hardy ("the District") as at December 31, 2018 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the District and its related entities or persons in financial reporting oversight roles at the District and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the District and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2018 to April 23, 2019.

We hereby confirm that MNP is independent with respect to the District within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia as of April 23, 2019.

This report is intended solely for the use of Mayor and Council, management and others within the District and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



MNP LLP
Chartered Professional Accountants

District of Port Hardy

Consolidated Financial Statements

December 31, 2018



District of Port Hardy

December 31, 2018

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The accompanying consolidated 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 consolidated financial statements. The external auditors have full and free access to financial records and management of the District of Port Hardy.

Lynda Sowerby, BComm

Director of Finance

Independent Auditors' Report

NOTE THIS PAGE IS NOT THE PAGE TO BE USED IN PUBLISHED STATEMENTS

IT WILL BE REPLACED WITH ONE SUPPLIED BY THE AUDITORS

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, 2018 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, 2018 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, 2018

	2018	2017
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 5,132,160	\$ 7,394,802
Accounts receivable (Note 3)	2,445,940	1,686,249
Investment in Government business enterprises (Note 15)	81,497	48,340
Tax sale properties	108,882	9,590
Land held for resale	506	506
	<u>7,778,985</u>	<u>9,139,487</u>
Financial Liabilities		
Accounts payable and other liabilities (Note 4)	970,139	1,503,045
Deposits	35,500	39,100
Deferred revenue (Note 5)	514,572	882,217
Capital borrowing (Note 17)	1,295,833	1,164,175
	<u>2,816,044</u>	<u>3,588,537</u>
Net Financial Assets	<u>4,962,941</u>	<u>5,550,950</u>
Tangible capital assets (Note 7)	43,144,918	39,149,007
Inventory	168,945	152,644
Prepays	56,626	32,202
	<u>43,370,489</u>	<u>39,333,853</u>
Accumulated Surplus (Schedule 3)	<u>\$ 48,333,430</u>	<u>\$ 44,884,803</u>

Commitments and contingencies (Note 13)

Approved by:

 Lynda Sowerby, BComm
 Director of Finance

 Dennis Dugas
 Mayor

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

District of Port Hardy

Consolidated Statement of Operations and Accumulated Surplus For the Year Ended December 31, 2018

	2018	2018 Budget (Note 9)	2017
Revenue			
Taxes	\$ 2,928,702	\$ 2,909,562	\$ 2,756,671
Payments in lieu of taxes	169,921	179,128	175,980
Sale of services	3,755,366	3,650,491	3,573,337
Other revenue	444,859	291,928	838,983
Income from investment in Government business enterprises (Note 15)	33,157	-	734,261
Government transfers	4,251,708	13,428,425	1,827,596
	<u>11,583,713</u>	<u>20,459,534</u>	<u>9,906,828</u>
Expenses			
General government services	1,081,539	1,149,359	1,008,437
Transportation services	1,837,367	2,030,344	1,853,171
Protective services	643,869	624,572	518,033
Environmental health services	272,302	284,359	248,738
Recreation and culture	1,442,673	1,477,986	1,461,725
Community development	194,240	202,376	177,987
Water	1,393,514	1,521,480	1,355,641
Sewer	1,269,582	1,377,900	1,338,675
	<u>8,135,086</u>	<u>8,668,376</u>	<u>7,962,407</u>
Annual surplus	3,448,627	11,791,158	1,944,421
Accumulated surplus, beginning of year	44,884,803	44,884,803	42,940,382
Accumulated surplus, end of year	<u>\$ 48,333,340</u>	<u>\$ 56,675,961</u>	<u>\$ 44,884,803</u>

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

District of Port Hardy

Consolidated Statement of Changes in Net Financial Assets

As At December 31, 2018

	2018	2018 Budget (Note 9)	2017
Annual surplus	\$ 3,448,627	\$11,791,158	\$ 1,944,421
Acquisition of tangible capital assets	(6,037,381)	(19,709,700)	(3,350,174)
Amortization	2,041,470	1,870,000	1,869,979
Gain on disposal of tangible capital assets	-	-	(332,748)
Proceeds on sale of tangible capital assets	-	-	468,218
	(3,995,911)	(17,839,700)	(1,344,725)
Use (Acquisition) of supplies inventory	(16,301)	-	8,388
Use (Acquisition) of prepaid expense	(24,424)	-	20,645
	(40,725)	-	29,033
Change in net financial assets	(588,009)	(6,048,542)	628,729
Net financial assets, beginning of year	5,550,950	5,550,950	4,922,221
Net financial assets (debt), end of year	\$ 4,962,941	\$ (497,592)	\$ 5,550,950

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

District of Port Hardy

Consolidated Statement of Changes in Net Financial Assets As At December 31, 2018

	2018	2017
Cash Provided By (Used In)		
Operating Activities		
Annual surplus	\$ 3,448,627	\$ 1,944,421
Increase (Decrease) in Non Financial Assets		
Amortization	2,041,470	1,869,979
Gain on disposal of assets	-	(332,748)
Change in inventory	(16,301)	8,388
Change in prepaids	(24,424)	20,645
	<u>5,449,372</u>	<u>3,510,685</u>
(Increase) Decrease in Financial Assets and Liabilities		
Change in accounts receivable	(769,691)	(8,790)
Change in investment in Government business enterprises	(33,157)	39,045
Change in tax sale properties	(99,292)	9,320
Change in accounts payable	(532,906)	833,895
Change in tax sale deposits	(3,600)	(3,521)
Change in performance deposits and bonds	-	17,450
Change in deferred revenue	(367,645)	627,526
Actuarial adjustment on debt	-	(70,516)
	<u>3,643,081</u>	<u>1,950,348</u>
Cash provided by operating transactions		
Capital Activities		
Acquisition of tangible capital assets	(6,037,381)	(3,350,174)
Proceeds on sale of tangible capital assets	-	468,218
	<u>(6,037,381)</u>	<u>(2,881,956)</u>
Financing Activities		
Capital borrowing repaid	(128,271)	(340,669)
Debenture debt repaid	-	(166,582)
Capital borrowing draws	259,929	-
	<u>131,658</u>	<u>865,156</u>
Net increase (decrease) in cash and cash equivalents	(2,262,642)	2,938,294
Cash and cash equivalents at beginning of period	7,394,802	4,456,508
Cash and cash equivalents at end of period	<u>\$ 5,132,160</u>	<u>\$ 7,394,802</u>

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

District of Port Hardy

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

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 15).

c) Cash and cash equivalents

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

d) Inventory

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

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2018

1. Significant Accounting Policies (continued from previous page)

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

g) Accrued Employee Benefits

Accrued employee benefits include an allowance for sick leave, vacation and severance benefits. These benefits are based on obligations as determined by collective agreements and contractual arrangements. Allowances for sick leave and vacation entitlement are recorded in the year in which they are earned. Severance benefits are recorded in the year in which they are earned. For union employees, 1 week is earned for each year of employment, to a maximum of 10 or 12 weeks depending on the union. Non-union employees earn severance in accordance with individual contracts or the BC labour standards. The severance banks are then multiplied by 10% for senior management and 2% for all other employees to estimate the potential for the District paying out severance.

h) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the period. Significant areas requiring estimates include the determination of collectability of accounts receivable, accrued payroll liabilities, tangible capital assets and provisions for contingencies. Accounts receivable are stated after evaluation of their collectability. Amortization is based on the estimated useful lives of tangible capital assets. Accrued employee benefits liabilities are estimated based on the anticipated wage rate increases, time value of money and expected average length of employment of District staff. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Liabilities for contaminated sites are estimated based on the best information available regarding potential contaminated sites that the District of Port Hardy is responsible for. Actual results may differ from estimates.

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2018

1. Significant Accounting Policies (continued from previous page)

i) Tangible Capital Assets

Tangible capital assets are recorded at cost, net of disposals, write-downs and amortization. Tangible capital asset expenses exceeding the thresholds per major category are capitalized. The average useful life is applied straight line to calculate amortization. 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	3 - 25 years
Engineering Structures	
Roads	10 - 60 years
Water	8 - 100 years
Sewer	8 - 100 years

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

j) Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the District of Port Hardy is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available as at December 31, 2018.

At each financial reporting date the District of Port Hardy reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The District of Port Hardy continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at December 31, 2018 the District has not recorded any liability for contaminated sites as no such sites have been identified.

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2018

1. Significant Accounting Policies (continued from previous page)

k) Adoption of New Accounting Standards

PS 2200 Related Party Disclosures

Effective January 1, 2018, the District adopted the recommendations relating to *PS 2200 Related Party Disclosures*, as set out in the CPA Canada public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

This new section defines a related party and establishes disclosures required for related party transactions. Disclosure of Information about related party transactions and the relationships underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

There was no material impact on the consolidated financial statements of adopting the new Section.

PS 3420 Inter-entity Transactions

Effective January 1, 2018, the District adopted the recommendations relating to *PS 3420 Inter-entity Transactions*, as set out in the CPA Canada public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

The new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The main features of the new Section are:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis.
- Transactions are measured at the carrying amount, except in specific circumstances.
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice.
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.
- Inter-entity transactions are considered in conjunction with PS 2200 Related Party Disclosures.

There was no material impact on the consolidated financial statements of adopting the new Section.

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2018

1. Significant Accounting Policies (continued from previous page)

k) Adoption of New Accounting Standards

PS 3210 Assets

Effective January 1, 2018, the District adopted the recommendations relating to PS 3210 Assets, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

The new Section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. The main features of this standard are as follows:

- Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.
- Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.
- The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entities primary objective of providing public goods and services.
- A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.
- A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets and does not control the assets, as future economic benefits flow to the beneficiaries.
- An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

There was no material impact on the consolidated financial statements of adopting the new Section.

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District of Port Hardy

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

1. Significant Accounting Policies (continued from previous page)

k) Adoption of New Accounting Standards (continued from previous page)

PS 3320 Contingent Assets

Effective January 1, 2018, the District adopted the recommendations relating to PS 3320 *Contingent Assets*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

The new Section establishes disclosure standards on contingent assets. The main features of this standard are as follows:

- Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.
- Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date.
- Elected or public sector officials announcing public sector intentions after the financial statement date cannot create an existing condition or situation at the financial statement date.
- Disclosures should include existence, nature, and extent of contingent assets, as well as the reason for any non-disclosure of extent, and the basis for any estimates of extent made.
- When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

There was no material impact on the consolidated financial statements of adopting the new Section.

PS 3380 Contractual Rights

Effective January 1, 2018, the District adopted the recommendations relating to PS 3380 *Contractual Rights*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

The new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.
- Disclosures should include descriptions about nature, extent and timing.

There was no material impact on the consolidated financial statements of adopting the new Section.

District of Port Hardy

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

2. Cash and Cash Equivalents

	2018	2017
Cash	\$ 389,791	\$ 331,545
Investments	4,742,369	7,063,257
	<u>\$ 5,132,160</u>	<u>\$ 7,394,802</u>

The above investments balance includes Municipal Finance Authority money market account and high interest savings account \$4,742,369 (2017 - \$7,063,257), carried at cost, which is also equal to market value.

3. Accounts Receivable

	2018	2017
Property taxes	\$ 973,969	\$ 661,731
Other Governments	354,124	387,898
Trade and other	1,489,583	997,702
	<u>2,817,676</u>	<u>2,047,331</u>
Less allowance for doubtful accounts	(361,736)	(361,082)
	<u>\$ 2,445,940</u>	<u>\$ 1,686,249</u>

Wharf receivables total \$282,676 (2017 - \$276,642). Of this amount \$248,532 (2017 - \$250,651) is 90 days overdue and has been recorded in allowance for doubtful accounts above. A total of \$93,677 (2017 - \$53,187) in taxes receivable has been recorded as doubtful and the remainder of doubtful accounts represents general accounts receivable.

4. Accounts Payable and Other Liabilities

	2018	2017
Other Governments	\$ 101,248	\$ 48,909
Accrued wages and benefits	298,700	291,492
Trade and other	570,191	1,162,644
	<u>\$ 970,139</u>	<u>\$ 1,503,045</u>

5. Deferred Revenue

	2018	2017
Prepaid taxes	\$ 73,259	\$ 46,374
Prepaid fees and charges	54,740	52,637
Other deferred revenue	386,573	783,206
	<u>\$ 514,572</u>	<u>\$ 882,217</u>

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2018

6. Federal Gas Tax Funds

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

	2018	2017
Opening balance of unspent funds	\$ 470,794	\$ 422,392
Add: Amount received during the year	232,222	223,926
Interest earned	11,298	4,598
Less: Amount spent on eligible projects	(29,978)	(180,122)
Closing balance of unspent funds	\$ 684,336	\$ 470,794

7. Tangible Capital Assets (Schedule 2)

	2018	2017
Land and Improvements	\$ 4,633,329	\$ 4,690,526
Buildings	4,384,549	3,945,626
Furniture and Equipment	4,246	5,789
Vehicles and Machinery	2,224,324	2,270,821
Computer Hardware and Software	34,949	46,634
Engineering Structures		
Roads	11,800,771	12,079,554
Water	10,661,743	6,597,185
Sewer	9,401,007	9,512,872
	\$ 43,144,918	\$ 39,149,007

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, 2018

8. Pension Liability

The District and its employees contribute to the Municipal Pension Plan, (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2017 the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from the Local Governments.

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1.927 billion was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The District of Port Hardy paid \$184,316 (2017 - \$178,047) for employer contributions while employees contributed \$163,518 (2017 - \$162,819) to the plan in fiscal 2018.

The next valuation will be as at December 31, 2018, with results available in 2019.

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.

9. Budget Figures

The budget amounts presented throughout these financial statements are based on the Five Year Financial Plan bylaw adopted by Council on February 14, 2018 adjusted for budget amounts for amortization and tangible capital assets.

Annual surplus, as adopted February 14, 2018	\$ -
Add:	
Acquisition of tangible capital assets	19,709,700
Debt principal repayments	202,500
Less:	
Debt incurred	(4,539,000)
Interfund transfers	(3,582,042)
Annual surplus restated	<u><u>\$ 11,791,158</u></u>

District of Port Hardy

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

10. 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.

	2018	2017
School Taxes	\$ 1,306,933	\$ 1,311,241
Regional District of Mount Waddington	405,469	386,834
Mount Waddington Regional Hospital District	142,788	138,990
BC Assessment Authority	20,596	21,287
Municipal Finance Authority	90	86
Police Tax	186,198	176,659
Vancouver Island Regional Library	156,216	148,500
	<u>\$ 2,218,290</u>	<u>\$ 2,183,597</u>

11. 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, 2018, the balance of funds held in trust was \$39,747 (2017 - \$38,420).

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.

12. Employee Benefit Obligations

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

Vacation liability at December 31, 2018 is \$28,070 (2017 - \$31,266).

Sick leave liability at December 31, 2018 is \$136,536 (2017 - \$119,823).

Severance liability at December 31, 2018 is \$36,981 (2017 - \$47,087).

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2018

13. 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) **Funding Agreement**

The District has entered into a funding agreement with the Union of British Columbia Municipalities under the terms and conditions of the Strategic Priorities Fund. The purpose of the agreement is to award the District up to \$6 million in funding for the construction of the Port Hardy Multiplex - Swimming Pool Replacement. The funds are contingent on the project being completed by December 31, 2020 or the agreement may be terminated, and any costs incurred will be deemed ineligible for the grant funding.

As of December 31, 2018, the District has incurred \$608,386 in expenses for the design and tender of the multiplex project.

The project is currently on hold as the bids received exceeded the project budget. If the District is successful in receiving additional grant funding, the project will proceed in late 2019.

c) **Regional District of Mount Waddington**

The District is responsible, as a member of the Regional District of Mount Waddington, for its portion of any operating deficits or long-term debt related function in which it participates.

District of Port Hardy

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2018

14. Segmented Information

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

Protection

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

Community Development

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

Recreation and Culture

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

Environmental Health

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

Transportation

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

General Government

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

Water

The water department is responsible for the water treatment plant and distribution system.

Sewer

The waste water department is responsible for the treatment and collection system for waste water.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The General Revenue Fund reports on municipal services that are funded by taxation. The taxes are apportioned to the fund services based on the net surplus.

District of Port Hardy

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018

15. Investment in Government Business Enterprises

The investment in the North Island Community Forest Limited Partnership (NICFLP) is reported as a government business partnership and North Island Community Forest Ltd. (NICF LTD) as a government business enterprise. These businesses are accounted for using the modified equity method. Under this method, the government businesses' accounting principles are not adjusted to conform with those of the District and inter-corporate transactions are not eliminated. District of Port Hardy owns a one third share.

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

	2018	2017
Summary of investment in Government Businesses		
NICFLP	\$ 68,890	\$ 36,065
NICF LTD.	12,607	12,275
	<u>81,497</u>	<u>48,340</u>
Summary of results of operations		
NICFLP	32,826	726,918
NICF LTD.	331	7,343
	<u>\$ 33,157</u>	<u>\$ 734,261</u>

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

	2018	2017
Financial Position		
Current and other assets	\$ 286,576	\$ 283,110
Current and other liabilities	42,088	138,095
Partners' Capital	<u>244,488</u>	<u>145,015</u>
Results of operations		
Revenues	151,215	2,254,124
Expenses	51,742	51,342
Net surplus	<u>\$ 99,473</u>	<u>\$ 2,202,782</u>

During the year the District received a dividend from the NICFLP of \$NIL (2017 - \$726,918).

16. 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, 2018

17. Capital Borrowing

	Balance, Beginning of Year	Additions	Principal repayments	Balance, end of year
2017 Fire Ladder Truck	\$ 1,060,029	\$ -	\$ 76,024	\$ 984,005
2018 Dodge Dump Truck	104,146	-	20,006	84,140
2019 International Hook Truck	-	233,153	29,304	203,849
2018 Nissan Rogue	-	26,776	2,937	23,839
	<u>\$ 1,164,175</u>	<u>\$ 259,929</u>	<u>\$ 128,271</u>	<u>\$ 1,295,833</u>

Short term financing is secured through the Municipal Finance Authority for capital initiatives approved under loan authorizations. Interest is calculated daily on a variable rate basis at a 0.5% spread on top of the CDOR (Canadian Dealer Offered Rate) rate. In 2018 the rate varied between 1.34 % and 1.94%. At December 31, 2018 the rate was 1.94%. Equipment is financed over a five year period with the exception of the Fire Department Ladder truck purchased in 2017 which is amortized over a twelve year period with a five year term. The residual amount that will need to be re-financed in 2022 is estimated to be \$698,006.

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

	Equipment Financing
2019	\$ 145,517
2020	149,488
2021	153,312
2022	156,644
2023	124,069
	<u>\$ 729,030</u>

18. Subsequent events

Subsequent to December 31, 2018, the District has entered into a contract for the purchase and installation of a refrigeration chiller upgrade at the Don Cruikshank Memorial Arena. The total cost of the contract is \$295,750 and will be completed in 2019.

District of Port Hardy

Consolidated Schedule of Segmented Disclosure

For the Year Ended December 31, 2018

Schedule 1
(Note 14)

	General government services		Transportation services		Protective services		Environmental health services		Recreation and culture	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenues										
Taxes	\$ 2,928,702	\$ 2,756,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payments in lieu of taxes	169,921	175,980	-	-	-	-	-	-	-	-
Sale of services	-	-	399,335	332,070	149,993	42,358	282,432	268,116	198,266	217,611
Income from investment in Government business enterprises	-	-	-	-	-	-	-	-	-	-
Government transfers	541,231	529,376	232,222	223,926	13,234	-	-	-	3,500	3,000
Actuarial recognized	-	-	-	-	-	-	-	-	-	-
Gain on disposal of assets	-	-	-	332,748	-	-	-	-	-	-
Other revenue	219,908	167,701	10,200	20,423	67,850	88,274	2,212	2,209	37,590	37,035
	<u>3,859,762</u>	<u>3,629,728</u>	<u>641,757</u>	<u>909,167</u>	<u>231,077</u>	<u>130,632</u>	<u>284,644</u>	<u>270,325</u>	<u>239,356</u>	<u>257,646</u>
Expenses										
Salaries and benefits	817,794	786,996	464,737	478,558	143,144	134,480	18,554	13,646	712,983	699,436
Goods and services	193,815	153,696	373,506	458,950	219,117	172,145	39,970	31,240	342,886	350,476
Contracted services	27,818	30,284	264,407	227,866	122,371	91,357	213,778	203,852	117,096	148,882
Interest Expense	25,860	11,784	-	-	-	-	-	-	-	-
Amortization	16,252	25,677	734,717	687,797	159,237	120,051	-	-	269,708	262,931
	<u>1,081,539</u>	<u>1,008,437</u>	<u>1,837,367</u>	<u>1,853,171</u>	<u>643,869</u>	<u>518,033</u>	<u>272,302</u>	<u>248,738</u>	<u>1,442,673</u>	<u>1,461,725</u>
Net Surplus (Deficit)	<u>\$ 2,778,223</u>	<u>\$ 2,621,291</u>	<u>\$ (1,195,610)</u>	<u>\$ (944,004)</u>	<u>\$ (412,792)</u>	<u>\$ (387,401)</u>	<u>\$ 12,342</u>	<u>\$ 21,587</u>	<u>\$ (1,203,317)</u>	<u>\$ (1,204,079)</u>

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, 2018

Schedule 1
(Note 14)

	Community development		Water		Sewer		Consolidated	Budget	Consolidated	Budget
	2018	2017	2018	2017	2018	2017	Actual	2018	Actual	2017
Revenues										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,928,702	\$ 2,909,562	\$ 2,756,671	\$ 2,754,846
Payments in lieu of taxes	-	-	-	-	-	-	169,921	179,128	175,980	171,519
Sale of services	-	-	1,461,523	1,502,160	1,263,817	1,211,022	3,755,366	3,650,491	3,573,337	3,557,265
Income from investment in Government business enterprises	33,157	734,261	-	-	-	-	33,157	-	734,261	-
Government transfers	183,167	198,123	3,278,354	873,171	-	-	4,251,708	13,428,425	1,827,596	12,987,000
Actuarial recognized	-	-	-	-	-	70,516	-	-	70,516	-
Gain on disposal of assets	-	-	-	-	-	-	-	-	332,748	-
Other revenue	37,105	37,213	43,392	36,872	26,602	45,992	444,859	291,928	435,719	299,501
	253,429	969,597	4,783,269	2,412,203	1,290,419	1,327,530	11,583,713	20,459,534	9,906,828	19,770,131
Expenses										
Salaries and benefits	-	-	377,350	410,006	277,473	283,267	2,812,035	3,046,964	2,806,389	2,928,748
Goods and services	28,579	31,938	501,108	527,523	386,894	394,649	2,085,875	2,431,671	2,120,617	2,415,466
Contracted services	165,661	146,049	83,278	53,780	171,934	163,089	1,166,343	1,240,740	1,065,159	1,141,048
Interest expense	-	-	-	-	3,503	88,479	29,363	79,001	100,263	169,309
Amortization	-	-	431,778	364,332	429,778	409,191	2,041,470	1,870,000	1,869,979	1,800,000
	194,240	177,987	1,393,514	1,355,641	1,269,582	1,338,675	8,135,086	8,668,376	7,962,407	8,454,571
Net Surplus (Deficit)	\$ 59,189	\$ 791,610	\$ 3,389,755	\$ 1,056,562	\$ 20,837	\$ (11,145)	\$ 3,448,627	\$ 11,791,158	\$ 1,944,421	\$ 11,315,560

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

District of Port Hardy

Consolidated Statement of Tangible Capital Assets For the Year Ended December 31, 2018

Schedule 2

	Costs					Accumulated Amortization					2018	2017
	Add		Less			Add		Less				
	Opening Balance	Additions	Construction In progress	Disposals	Closing Balance	Opening Balance	Amortization	Accumulated Amortization on Disposals	Closing Balance			
Land and Land Improvements \$	6,799,332	\$ 62,322	\$ -	\$ -	\$ 6,861,654	\$ 2,108,806	\$ 119,519	\$ -	\$ 2,228,325	\$ 4,633,329	\$ 4,690,526	
Buildings	10,682,641	56,073	608,386	-	11,347,100	6,737,015	225,536	-	6,962,551	4,384,549	3,945,626	
Furniture and Equipment	405,068	-	-	-	405,068	399,279	1,543	-	400,822	4,246	5,789	
Vehicles and Machinery	5,063,918	215,490	-	(234,478)	5,044,930	2,793,097	261,987	(234,478)	2,820,606	2,224,324	2,270,821	
Computer Hardware and Software	223,418	-	-	-	223,418	176,784	11,685	-	188,469	34,949	46,634	
Engineering Structures												
Roads	25,365,259	280,860	-	-	25,646,119	13,285,705	559,643	-	13,845,348	11,800,771	12,079,554	
Water	14,424,189	4,496,336	-	-	18,920,525	7,827,004	431,778	-	8,258,782	10,661,743	6,597,185	
Sewer	16,679,649	317,914	-	(11,500)	16,986,063	7,166,777	429,779	(11,500)	7,585,056	9,401,007	9,512,872	
\$	79,643,474	\$ 5,428,995	\$ 608,386	\$(245,978)	\$ 85,434,877	\$ 40,494,467	\$ 2,041,470	\$(245,978)	\$ 42,289,959	\$ 43,144,918	\$ 39,149,007	

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

District of Port Hardy
Consolidated Statement of Accumulated Surplus
For the Year Ended December 31, 2018

Schedule 3

	<u>2018</u>	<u>2017</u>
Surplus		
Invested in tangible capital assets	\$ 41,849,085	\$ 37,984,832
Operating funds	5,963,263	5,962,697
	<u>47,812,348</u>	<u>43,947,529</u>
Reserves		
Buildings	48,675	59,666
Computers	4,965	4,872
Equipment replacement	135,115	146,664
General capital works	97,587	302,348
Park development	40,288	39,534
Recreation facilities	99,636	122,490
	<u>426,266</u>	<u>675,574</u>
Water Reserve Fund		
Water capital works	94,816	135,554
Sewer Reserve Fund		
Sewer capital works	-	126,146
	<u>521,082</u>	<u>937,274</u>
Accumulated Surplus, end of year	<u><u>\$ 48,333,430</u></u>	<u><u>\$ 44,884,803</u></u>

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

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the District of Port Hardy (the "District"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2018, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the District to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Nanaimo, British Columbia

April 23, 2019

Chartered Professional Accountants

DRAFT - For Discussion Purposes Only