



# HARRISON HOT SPRINGS

*Naturally Refreshed*

## **Village of Harrison Hot Springs Financial Statements**

December 31, 2018

# Village of Harrison Hot Springs

December 31, 2018

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## Management's Responsibility for Financial Reporting

The financial statements of the Village of Harrison Hot Springs (the Village) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards, consistently applied and appropriate in the circumstances. The preparation of the financial statements requires the use of estimates which have been made using careful judgement. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate within reasonable limits of materiality, all information available as of the audit date. The financial statements have also been reviewed and approved by the Mayor and Council of the Village.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded in compliance with legislative and regulatory requirements and that reliable financial information is available on a timely basis. These systems are monitored and evaluated by management. Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The financial statements have been examined by the Village's independent external auditor, BDO Canada LLP in accordance with Canadian generally accepted auditing standards. The external auditor's responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Village's financial position, results of operations, changes in net financial assets and cash flows in accordance with Canadian public sector accounting standards. Their Independent Auditor's Report outlines the scope of their examination and their opinion.

The external auditor has full and open access to all records of the Village and has direct access to management and Council when required.



Madeline McDonald  
Chief Administrative Officer  
April 15 , 2019



Tracey Jones  
Financial Officer  
April 15 , 2019



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## Independent Auditor's Report

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### To the Mayor and Council of the Village of Harrison Hot Springs

We have audited the financial statements of the Village of Harrison Hot Springs ("the Village") which comprise the Statement of Financial Position as at December 31, 2018 and the Statements Operations, Changes in Net Financial Assets, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the Village's financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2018 and results of its operations, changes in net financial assets, and 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 Financial Statements section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Village'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 Village, or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Village'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 Village'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 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 Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## *BDO Canada LLP*

Chartered Professional Accountants


Vancouver, British Columbia  
April 15, 2019

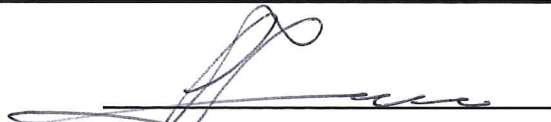
# Village of Harrison Hot Springs

## Statement of Financial Position

As at December 31, 2018

	2018	2017
<b>Financial assets</b>		
Cash (Note 2)	9,847,890	9,216,348
Accounts Receivable (Note 3)	1,188,913	882,299
MFA Deposits (Note 4)	6,549	6,410
	<b>11,043,352</b>	<b>10,105,057</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 5)	363,287	271,924
Employee Future Benefits (Note 6)	113,696	108,727
Developer's Deposits and Other Trust Liabilities (Note 7)	199,320	409,950
Deferred Revenue (Note 8)	702,726	1,099,323
Development Cost Charges (Note 9)	3,106,272	1,851,562
Liabilities under Agreement (Note 10)	148,883	189,524
Long-term debt (Note 11)	503,412	536,721
Interim financing debt (Note 12)	220,000	330,000
	<b>5,357,596</b>	<b>4,797,731</b>
<b>Net financial assets</b>	<b>5,685,756</b>	<b>5,307,326</b>
<b>Non-financial assets</b>		
Tangible Capital Assets (Note 13, Schedule 1)	36,719,932	34,137,913
Prepaid expenses	61,981	68,970
	<b>36,781,913</b>	<b>34,206,883</b>
<b>Accumulated surplus</b>	<b>\$ 42,467,669</b>	<b>\$ 39,514,209</b>
Represented by:		
Operating fund (Note 15)	3,151,719	3,545,757
Appropriated Surplus (Note 15)	1,617,960	1,298,522
Statutory Reserves (Note 15)	1,850,350	1,588,261
Equity in tangible capital assets (Note 14)	35,847,640	33,081,669
	<b>\$ 42,467,669</b>	<b>\$ 39,514,209</b>

  
 Madeline McDonald,  
 Chief Administrative Officer

  
 Leo Fazio  
 Mayor

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



# Village of Harrison Hot Springs

## Statement of Operations

for the year ended December 31, 2018

	Budget ( Note 20)	2018	2017
<b>Revenue</b>			
Property Taxes (Note 16)	\$ 2,104,964	\$ 2,095,811	\$ 2,016,765
Sale of Services (Note 17)	1,281,980	1,239,637	1,253,427
Utility Service Fees (Note 18)	414,000	440,408	410,951
Government Transfers (Note 19)	3,430,631	2,745,539	678,512
Investment Income	47,000	109,545	85,617
Penalties and interest	18,837	78,006	89,390
Development Cost Charges (Note 9)	1,345,000	130,059	-
Contributed Assets	-	509,800	993,500
Other revenue	162,350	(21,279)	315,837
	<b>8,804,762</b>	<b>7,327,526</b>	<b>5,843,999</b>
<b>Expenses (Note 21)</b>			
Legislative Services	129,950	113,230	113,859
General Government	1,060,470	1,047,620	977,516
Protective Services	265,742	205,814	213,754
Public Works	358,990	360,080	328,650
Transportation Services	544,419	495,319	488,422
Public Health	4,950	3,317	4,354
Planning and Development	325,200	167,128	109,754
Tourism, Community and Economic Development	243,022	193,985	186,272
Solid Waste Management and Recycling	187,146	179,929	210,784
Beaches, Parks, Recreation and Culture	483,535	483,909	447,065
Water Services	390,514	419,994	343,941
Sewer Services	737,230	703,739	754,653
	<b>4,731,168</b>	<b>4,374,064</b>	<b>4,179,024</b>
<b>Annual surplus</b>	<b>4,073,594</b>	<b>2,953,462</b>	<b>1,664,975</b>
Accumulated surplus, beginning of year (Note 15 )	<b>39,514,207</b>	<b>39,514,207</b>	<b>37,849,232</b>
	<b>\$ 43,587,801</b>	<b>\$ 42,467,669</b>	<b>\$ 39,514,207</b>

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

# Village of Harrison Hot Springs

## Statement of Change in Net Financial Assets

For the Year Ended December 31, 2018

	Budget ( Note 20)	2018	2017
Annual Surplus	4,073,594	2,953,462	1,664,975
Acquisition of tangible capital assets	(5,938,900)	(4,041,405)	(1,524,463)
Amortization of tangible capital assets Note1., Schedule 1	860,000	965,112	899,421
Proceeds from the sale of tangible capital assets	-	10,250	8,000
(Gain) loss from sale of tangible capital assets	-	484,024	(3,759)
	(1,005,306)	371,443	1,044,176
Acquisition of prepaid expenses	-	(61,981)	(68,970)
Use of prepaid expenses	-	68,970	65,840
	-	6,989	(3,130)
<b>Increase (decrease) in net financial assets</b>	<b>(1,005,306)</b>	<b>378,432</b>	<b>1,041,046</b>
Net financial assets, beginning of year	5,307,326	5,307,326	4,266,280
<b>Net financial assets, end of year</b>	<b>\$ 4,302,020</b>	<b>\$ 5,685,758</b>	<b>\$ 5,307,326</b>

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



# Village of Harrison Hot Springs

## Statement of Cash Flows

For the Year Ended December 31, 2018

	2018	2017
<b>Cash provided by (used in):</b>		
<b>Operating Transactions</b>		
Annual surplus	2,953,462	1,664,975
<b>Items not involving cash:</b>		
Amortization	965,112	899,421
(Gain)/ Loss on disposal of assets	484,024	(3,759)
<b>Changes to cash items:</b>		
Accounts receivable	(306,614)	14,607
MFA deposits	(139)	(123)
Accounts payable and accrued liabilities	91,363	(148,218)
Developer's deposits and other trust liabilities	(210,630)	32,285
Prepaid expenses	6,989	(3,130)
Employee future benefits	4,969	14,927
Deferred revenue	(396,597)	836,230
Development cost charges	1,254,710	275,743
<b>Net change in cash from operating transactions</b>	<b>4,846,649</b>	<b>3,582,958</b>
<b>Capital Transactions:</b>		
Proceeds from sale of tangible capital assets	10,250	8,000
Acquisition of tangible capital assets	(4,041,405)	(1,524,463)
<b>Net change in cash from capital transactions</b>	<b>(4,031,155)</b>	<b>(1,516,463)</b>
<b>Financing Transactions</b>		
Debt repayment	(183,952)	(168,704)
Proceeds from MFA equipment borrowing	-	110,000
<b>Net change in cash from financing transactions</b>	<b>(183,952)</b>	<b>(58,704)</b>
<b>Net change in cash</b>	<b>631,542</b>	<b>2,007,791</b>
Cash at beginning of year	9,216,348	7,208,557
<b>Cash, end of year</b>	<b>\$ 9,847,890</b>	<b>\$ 9,216,348</b>

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

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

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### 1. Significant Accounting Policies

The Financial Statements combine the activities of the various funds of the reporting entity - Village of Harrison Hot Springs (the "Village") which are the representation of management are prepared in accordance with Canadian generally accepted accounting principles for governments as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada. Interfund transactions and fund balances have been eliminated for reporting purposes. There are no other organizations under the control of the Village Council that meet the criteria for inclusion and consolidation in these statements. Significant accounting policies adopted by the Village are as follows:

#### a. Basis of reporting

The Financial Statements reflect the combined results and activities of the reporting entity which is comprised of the Operating, Capital and Reserve funds. Inter-fund transactions have been eliminated.

- i. Operating Funds: These funds include the General, Water and Sewer operations of the Village. They are used to record the operating costs of the services provided by the Village.
- ii. Capital funds: These funds include the General, Water and Sewer capital funds. They are used to record the acquisition and disposal of tangible capital assets and their financing.
- iii. Reserve funds: Under the *Community Charter*, Village Council may, by bylaw establish reserve funds for specified purposes. Money in a Statutory Reserve Fund, and interest earned thereon, must be expended by bylaw only for the purpose for which the fund was established. If the amount in a reserve fund is greater than required, Village Council may, by bylaw, transfer all or part of the balance to another reserve fund. Non-statutory Reserves require being included in an approved council budget or a resolution before these funds can be expended.

#### b. Revenue Recognition

Sources of revenue are recorded on an accrual basis and recognized in the period in which they are earned. Unearned revenue in the current period is reported on the statement of Financial Position as deferred revenue.

The Village recognizes the transfer of government funding as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that any transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year. Through the British Columbia Assessments' appeal process, taxes may be adjusted by way of supplementary roll adjustments. The effects of these adjustments on taxes are recognized at the time they are awarded. Sale of services and fees are recognized when the service or product is provided by the Village. All other revenue is recognized as it is earned and is measurable. Revenue unearned in the current period is recorded as deferred revenue and is recognized as revenue in the fiscal year the services are performed.

Development Cost Charges are restricted revenue liabilities representing funds received from developers and deposited into separate deferred revenue liability accounts for specific future capital expenses. In accordance with Canadian public sector accounting standards, the Village records these funds as restricted revenue which is then recognized when the related costs are incurred.

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

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### 1. Significant Accounting Policies

#### c. Expense Recognition

Operating expenses are recognized on an accrual basis in the period they are incurred.

#### d. Financial Instruments

The Village's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, long-term debt and interim financing debt. It is management's opinion that the Village is not exposed to significant interest, currency or credit risk arising from these financial instruments.

#### e. Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

#### i. Tangible Capital Assets

Tangible capital assets, comprised of capital assets and assets under construction, are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes the capital expenditure, excluding interest, directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing when the asset is put into service.

Asset	Useful Life - Years
Land improvements	10-25
Parks infrastructure	10-50
Buildings	40-50
Machinery, furniture and equipment	5-10
IT infrastructure	4-10
Vehicles	5-20
Roads infrastructure	15-75
Water infrastructure	10-100
Sewer infrastructure	10-100
Drainage infrastructure	10-100

#### ii. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the time of donation.

#### iii. Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

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### 1. Significant Accounting Policies

#### e. Non-financial Assets

##### iv. Leased tangible capital assets

Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets.

#### f. Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Areas requiring the greatest degree of estimation include employee future benefits and useful lives of tangible capital assets.

#### g. Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Village is directly responsible or accepts responsibility;
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

The Village has determined that as of December 31, 2018, no contamination in excess of an environmental standard exists to land not in productive use for which the Village is responsible.

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

### 2. Cash

	2018	2017
Restricted cash		
Statutory Reserves	\$ 1,850,350	\$ 1,588,261
Non-Statutory Reserves	1,617,960	1,298,522
Development Cost Charges/Deposits in Trust	4,008,320	3,360,835
	7,476,630	6,247,618
Unrestricted cash	2,371,260	2,968,730
Total cash	\$ 9,847,890	\$ 9,216,348

### 3. Account Receivable

	2018	2017
Accounts Receivable - Property Taxes	\$ 495,739	\$ 446,175
Accounts Receivable - Other Governments	226,842	54,453
Accounts Receivable - Trade and Other	466,332	381,671
	\$ 1,188,913	\$ 882,299

### 4. Municipal Finance Authority Deposits

The Municipal Finance Authority of British Columbia (the MFA) provides capital funding for regional districts and their member municipalities. The MFA is required to establish a Debt Reserve Fund. The MFA must then use this fund if at any time there are insufficient funds to meet payments on its obligations. If this occurs the regional districts may be called upon to restore the fund.

Each regional district, through its member municipalities who share in the proceeds of a debt issue, is required to pay into the Debt Reserve Fund certain amounts set out in the financing agreements. The interest earned on the Debt Reserve fund, less administrative expenses, becomes an obligation of the MFA to the regional districts.

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

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### 5. Accounts Payable and Accrued Liabilities

	2018	2017
Trade and Other	\$ 198,062	\$ 121,680
Holdbacks payable	24,252	2,655
Other government	59,040	72,511
Accrued Employee benefits	81,933	75,078
	<b>\$ 363,287</b>	<b>\$ 271,924</b>

### 6. Employee Future Benefits

#### Sick Pay

The Village provides paid sick leave to qualifying employees, this benefit accrues at two days of sick leave per month. At the end of each calendar year 2/3 of the unused portion of sick leave is vested up to a maximum of 360 days. The amount recorded for this benefit is based on an actuarial evaluation prepared by an independent firm and will be reviewed on a periodic basis. The date of the last actuarial evaluation was as of December 31, 2018.

#### Retirement Allowance

A regular employee who retires under the provisions of the Municipal Pension Plan is entitled to a retirement benefit as outlined in the Collective Agreement and Management Policy. In all instances, the rate of pay used in the calculation of the retirement benefit shall be the rate of pay applicable on the last day worked. The amount recorded for this benefit in 2018 is based on an actuarial evaluation prepared by an independent firm and will be reviewed on a periodic basis. The date of the last actuarial evaluation was as of December 31, 2018.

As of December 31, 2018, \$113,696 (2017 - \$108,727) of accrued benefit liability has been charged to operations. The significant actuarial assumptions adopted in measuring the Village's accrued benefit liability are as follows:

	2018	2017
Discount rates	3.00%	1.90%
Expected future inflation	2.00%	1.75%

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

### 6. Employee Future Benefits

Accrued Benefit Obligation as at December 31, 2018

	2018	2017
Beginning benefit obligation	\$ 108,727	\$ 93,800
Current service cost	20,776	19,052
Interest on accrued benefit obligation	-	2,000
Actuarial (gain) loss	-	-
Benefits paid during the year	(15,807)	(6,125)
Ending benefit obligation	113,696	108,727
Less Unamortized net actuarial (loss)	-	-
Accrued Benefit Liability	\$ 113,696	\$ 108,727

### 7. Developers Deposits and Other Trust Liabilities

	2018	2017
Property and event damage deposits	\$ 146,948	\$ 19,100
Developers Deposit	-	340,365
Community groups funds held in trust	52,372	50,485
	\$ 199,320	\$ 409,950

### 8. Deferred Revenue

	Opening Balance	Externally Restricted Inflows	Revenue Earned	December 31, 2018
Prepaid taxes	\$ 120,103	\$ 240,107	\$ (221,739)	\$ 138,471
Resort Municipality Initiative	271,622	374,183	(132,166)	513,639
Deferred Revenue	700,683	-	(660,546)	40,137
Facility rentals and other	6,915	186,459	(182,895)	10,479
	\$ 1,099,323	\$ 800,749	\$ (1,197,346)	\$ 702,726



# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

### 9. Development Cost Charges

	Opening Balance	Receipts	Interest	Transfers Out	Closing Balance
Sewer DCC	\$ 1,126,796	\$ 473,697	\$ 27,856	\$ 86,115	\$ 1,542,234
Water DCC	452,168	381,421	13,031	43,944	802,676
Drainage DCC	170,732	308,307	6,838	-	485,877
Parks DCC	101,866	169,918	3,701	-	275,485
	\$ 1,851,562	\$ 1,333,343	\$ 51,426	\$ 130,059	\$ 3,106,272

### 10. Liabilities under Agreement

In 2014, the Village entered into a capital lease agreement with Caterpillar Financial Services Limited to finance the acquisition of a new backhoe in the amount of \$132,725. The term of the lease is five years with an option to purchase at the end of the lease for \$47,723. In 2017, the Village entered into an agreement with the Municipal Finance Authority to borrow funds to purchase capital equipment in the amount of \$110,000. The term of the agreement is for five years.

Changes in liabilities under agreement are as follows:

	2018	2017
Balance, January 1,	\$ 189,524	\$ 106,046
Add: Borrowing additions	-	110,000
Less: Principal repayments	(40,641)	(26,522)
Balance, December 31	\$ 148,883	\$ 189,524

The minimum payments over the next five years of the liabilities under agreement are as follows:

2019	\$ 85,704
2020	23,079
2021	23,079
2022	23,079
Less: Amount representing interest	(6,058)
	\$ 148,883

Total interest expense during the year was \$5,357. Total interest over the term of the agreements is \$26,320.

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

### 11. Long-Term Debt

In 2015 the Village borrowed funds under loan authorisation bylaw 1052. MFA Issue 131 has an amortization period of 15 years at 2.2% interest for the first 10 years of the term. Early repayment options exist at the rate reset date of 10 years.

	Balance, beginning of Year	Additions	Principal Repayments	Actuarial * Adjustment	Balance, end of year
General Fund					
MFA Issue 131	\$ 536,721	\$ -	\$ 31,094	\$ 2,215	\$ 503,412

The following principal amounts are payable over the next five years:

	General	Water	Sewer
2019	\$ 31,095	\$ -	\$ -
2020	\$ 31,095	\$ -	\$ -
2021	\$ 31,095	\$ -	\$ -
2022	\$ 31,095	\$ -	\$ -
2023	\$ 31,095	\$ -	\$ -
Thereafter	\$ 347,936	\$ -	\$ -
Total	\$ 503,412	\$ -	\$ -

\* Actuarial Adjustments represent earnings on sinking funds held by the Municipal Finance Authority. The amounts are used to reduce the principal amount of outstanding debt.

### 12. Interim Financing Debt

In 2009 the Village borrowed \$1,500,000 under the Interim Financing Program from the Municipal Finance Authority of British Columbia under Loan Authorisation Bylaw 885, for the purpose of constructing a new water reservoir. In 2015 the Village received an extension and has until 2020 to pay back the principal amount. Any principal balance unpaid will be converted into long-term debt at that time. The Village can pay down any amount on the principal in the next year. Interest was paid monthly in 2018 at daily interest rates that varied between 1.94% and 2.79% . During 2018 the Village paid \$6,899 in interest (2017 \$6,576).

	2018	2017
Beginning Balance Jan 1,	\$ 330,000	\$ 440,000
Principal repayments	(110,000)	(110,000)
Ending Balance, December 31	\$ 220,000	\$ 330,000

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

### 13. Tangible Capital Assets

	2018	2017
Land and improvements	\$ 10,680,913	\$ 10,444,913
Buildings	3,244,548	3,384,007
Machinery, equipment, furniture, IT and vehicles	815,384	728,766
Engineering Structures:		
Engineering structures - water	8,188,220	6,252,781
Engineering structures - sewer and drainage	7,012,897	6,819,202
Engineering structures - roads	5,178,987	4,900,117
Engineering structures - parks and other	1,162,765	1,126,193
Other tangible capital assets	225,086	191,507
Work in Progress	211,132	290,427
Total	\$ 36,719,932	\$ 34,137,913

For additional information, see Schedule of Tangible Capital Assets. (Schedule 1)

Included in equipment, furniture and vehicles are vehicles and equipment purchased under capital lease totalling \$151,342 with accumulated amortization to the end of 2018 of \$68,104.

Contributed assets recognized in 2018 totalled \$509,800; Storm drainage \$111,800, Sidewalks \$22,500, Roads \$335,000 and Sewer \$40,500.

### 14. Equity in Tangible Capital Assets

Equity in tangible capital assets (TCA) represents the net book value (NBV) of total capital assets less long term obligations assumed to acquire those assets. The change in consolidated equity in tangible capital assets is as follows:

	2018	2017
Equity in TCA, beginning of year	\$ 33,081,669	\$ 32,402,164
Add:		
Capital Expenditures	4,041,405	1,524,464
Debt Repayments	181,737	168,704
Actuarial adjustment	2,215	-
Less:		
MFA equipment borrowing	-	(110,000)
Dispositions at NBV	(494,274)	(4,241)
Amortization	(965,112)	(899,421)
Equity in TCA, end of year	\$ 35,847,640	\$ 33,081,669

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

### 15. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 35,847,640	\$ 33,081,669
Operating Fund	3,151,719	3,545,757
Total surplus	38,999,359	36,627,426
Reserves set aside by Council:		
Appropriated Surplus:		
Fire Department	26,521	26,000
Assessment appeal	131,529	128,943
Beach	38,006	37,259
Building	62,667	61,436
Contingencies	11,459	11,234
Dock replacement	31,793	21,274
Boat Launch	51,860	45,893
Flood box / drainage	15,548	15,243
General	63,357	28,821
Insurance	9,957	9,762
Memorial Hall restoration	5,561	5,452
Parking / traffic management	57,366	56,239
Office Equipment	44,501	37,959
Property	47,449	46,516
Road/Sidewalk	13,482	13,216
Sick leave/Retirement	50,966	49,965
Community Works Fund	222,969	219,397
Sewer	529,639	401,587
Water	203,330	82,326
Total Appropriated Surplus	1,617,960	1,298,522
Statutory Fund Reserves:		
Community amenities	154,279	151,247
Fire department capital	464,293	421,610
Land unexpended funds	13,180	12,921
Parkland acquisition	347,635	201,930
Public works capital	32,789	70,026
Sewage treatment replacement	733,761	628,167
Sewer unexpended funds	83,517	81,875
Port Divestiture income	20,896	20,485
Total Statutory Fund Reserves	1,850,350	1,588,261
	\$ 42,467,669	\$ 39,514,209

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

### 16. Property Taxes

The Village is reliant upon one taxpayer for approximately 19.3% of municipal property tax revenue. Taxation revenue, reported on the statement of operations, is made up of the following:

	Budget	2018	2017
Taxes collected			
Municipal property taxes	\$ 2,064,192	\$ 2,055,178	\$ 1,977,592
1 % Utility taxes	36,122	36,121	34,504
Payments in lieu of taxes	4,650	4,512	4,669
School taxes	1,330,000	1,327,913	1,262,698
Regional District	145,600	145,369	144,549
Regional hospital district	107,700	99,962	95,185
Police tax	130,000	142,410	129,436
Other agencies	30,515	29,912	27,628
	3,848,779	3,841,377	3,676,261
Less transfers to other governments			
School taxes paid	1,330,000	1,327,913	1,262,698
Regional district taxes paid	145,600	145,369	144,549
Regional hospital district taxes paid	107,700	99,962	95,185
Police taxes paid	130,000	142,410	129,436
Other agencies taxes paid	30,515	29,912	27,628
	1,743,815	1,745,566	1,659,496
	\$ 2,104,964	\$ 2,095,811	\$ 2,016,765

### 17. Sale of Services

	Budget	2018	2017
Sewer user fees	\$ 588,980	\$ 537,118	\$ 544,245
Water user fees	301,100	306,627	303,337
Curbside collection fees	116,000	117,742	116,493
Pay Parking Revenue	192,000	185,378	194,540
Licenses and permits	28,200	42,535	36,025
Facility rentals	49,500	42,300	46,348
Fines	2,700	4,312	8,926
Other	3,500	3,625	3,513
	\$ 1,281,980	\$ 1,239,637	\$ 1,253,427

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

### 18. Utility Service Fees

	Budget	2018	2017
Sewer service utility fee - residential	\$ 193,000	\$ 195,196	\$ 187,331
Sewer service utility fee - business	20,000	20,601	20,532
Water service utility fee - residential	180,000	203,231	181,792
Water service utility fee - business	21,000	21,380	21,296
Total	\$ 414,000	\$ 440,408	\$ 410,951

### 19. Government Transfers

The Government transfers reported on the Statement of Operations are:

	Budget	2018	2017
Provincial:			
Conditional			
Infrastructure	\$ 1,288,931	\$ 854,431	\$ 128,024
Resort Municipality Initiative	272,500	132,166	101,778
WWTP Assessment	-	-	10,000
Other	1,400	2,986	2,935
Unconditional	316,000	317,314	316,487
Federal			
Conditional			
Infrastructure	1,383,800	1,314,652	-
Gas tax	115,000	119,990	115,288
Other	53,000	4,000	4,000
	\$ 3,430,631	\$ 2,745,539	\$ 678,512

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

### 20. Budget Data

The data presented in these financial statements is based upon the 2018 operating and capital budgets adopted by Council on March 5, 2018. The table below reconciles the approved balanced budget to the budget figures reported in these financial statements.

<b>2018 Adopted Operating and Capital Budget</b>	<b>Budget Amount</b>
Revenues:	
Operating budget	\$ 4,731,168
Capital budget	6,762,676
Total revenue	11,493,844
Expenses:	
Operating budget	4,731,168
Capital Budget	6,762,676
Total expenses	11,493,844
Budgeted surplus (deficit)	\$ -
Add:	
Capital expenses	\$ 5,938,900
Transfers to reserves	642,376
Principal repayments	181,400
Less:	
Transfers from reserves	(694,590)
Appropriation from Surplus	(1,134,492)
Amortization	(860,000)
Annual budgeted surplus (see statement of operations)	\$ 4,073,594

### 21. Classification of Expenses by Object

The Schedule of Operating Fund Activities represents the expenditures by function; the following table classifies those same expenditures by object:

	<b>Budget</b>	<b>2018</b>	<b>2017</b>
Salaries, wages and employee benefits	\$ 1,691,351	\$ 1,605,894	\$ 1,519,685
Operating Materials and supplies	675,577	637,291	640,129
Contracted services	645,250	415,582	393,917
Administrative services and supplies	516,540	438,966	398,286
Utilities	205,400	192,575	210,124
Rentals and contractual obligations	108,250	93,188	93,824
Debt financing	28,800	25,456	23,638
Amortization	860,000	965,112	899,421
Total expenditures by object	\$ 4,731,168	\$ 4,374,064	\$ 4,179,024



# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

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### 22. Commitments and Contingencies

- a. The municipality 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 the assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

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

The Village of Harrison Hot Springs paid \$110,951 (2017 \$97,239) for employer contributions to the Plan in fiscal 2018. Employee contributions in fiscal 2018 were \$95,835 (2017 \$85,847)

The most recent valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2,224 million 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 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. 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.

- b. Debts of the Fraser Valley Regional District are, under provisions of the Local Government Act, a direct, joint and several liability of the District and each member municipality within the District, including the Village of Harrison Hot Springs.
- c. The Village is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by section 3.02 of the Insurance Act of the Province of British Columbia. 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 Village is assessed a premium and specific deductible for its claims based on population. The obligation of the Village with respect to the Exchange and/or contracts and obligations entered into by the Exchange are in every case several, not joint and several. The Village 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.
- d. The Village has an agreement with the Harrison Hot Springs Tourism Society to provide annual funding of \$21,000. The term of the agreement ends December 31st, 2023.
- e. In 2014, the Ministry of Environment directed the Village to assess any potential effects the closure of the landfill in 1983 has on well water. Water samples were taken and the results prompted the Ministry to direct the Village to drill test wells and monitor the water which began in 2015. The Village is to continue this process for the years 2017-2021 at which time the results will determine if any further action is required.

# Village of Harrison Hot Springs

## Notes to the Financial Statements

December 31, 2018

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### 23. Segmented Disclosures

The Table of Segmented Information - Schedule 2 has been prepared in accordance with PS2700 Segmented Disclosures. Segmented information has been identified based upon functional activities provided by the Village. For each reported segment, revenue and expenses represent amounts directly attributable to the functional activity and amounts allocated on a reasonable basis. The functional areas that have been separately disclosed in the segmented information, along with services they provide are as follows:

#### **Legislative Services**

Legislative services includes Council and legislative services

#### **General Government**

General government includes taxation, sale of services, government transfers, investment income and administrative services for the general fund

#### **Protective Services**

Protective Services includes the volunteer fire department, emergency measures and bylaw enforcement

#### **Development and Planning**

Development and Planning includes economic development, planning, land development, community development and tourism

#### **Engineering, Transportation and Storm Water**

Engineering, transportation and storm water services include engineering, fleet, public health, roads, sidewalk, storm sewers and transit

#### **Solid Waste**

Solid waste includes sustainability, curbside collection, recycling and organic waste

#### **Parks, Recreation and Cultural Services**

Parks, recreation and cultural services includes the maintenance of the beachfront, parks and cultural facilities within the Village

#### **Wastewater Utility**

Wastewater includes the wastewater collection system, lift stations and wastewater treatment plant

#### **Water Utility**

Water includes the water collection, treatment and distribution of potable water

# Village of Harrison Hot Springs

## Schedule 1 - Statement of Tangible Capital Assets

For the Year Ended December 31, 2018

	Engineered Structures							Other Tangible Capital Assets	Work In Progress	2018	2017
	Land	Building	Equipment Furniture Vehicles	Water	Sewer Drainage	Roads	Other				
<b>COST</b>											
Opening balance	\$10,444,913	\$4,604,890	\$2,238,607	\$7,770,415	\$9,255,851	\$9,705,979	\$1,945,824	\$371,783	\$290,428	\$46,628,690	\$45,132,481
Add: Additions	236,000	-	188,806	2,524,082	397,472	609,823	121,838	42,680	(79,296)	4,041,405	1,524,463
Less: Disposals	-	-	(107,740)	(524,745)	(64,938)	(295,638)	-	-	-	(993,061)	(28,254)
<b>Closing Balance</b>	<b>10,680,913</b>	<b>4,604,890</b>	<b>2,319,673</b>	<b>9,769,752</b>	<b>9,588,385</b>	<b>10,020,164</b>	<b>2,067,862</b>	<b>414,463</b>	<b>211,132</b>	<b>49,677,034</b>	<b>46,628,690</b>
<b>ACCUMULATED AMORTIZATION</b>											
Opening Balance	-	1,220,883	1,509,840	1,517,634	2,436,650	4,805,863	819,631	180,276	-	12,490,777	11,615,369
Add: Amortization	-	139,459	92,747	148,027	166,110	324,402	85,266	9,101	-	965,112	899,421
Less: Acc. Amortization on Disposals	-	-	(98,298)	(84,129)	(27,272)	(289,088)	-	-	-	(498,787)	(24,013)
<b>Closing Balance</b>	<b>-</b>	<b>1,360,342</b>	<b>1,504,289</b>	<b>1,581,532</b>	<b>2,575,488</b>	<b>4,841,177</b>	<b>904,897</b>	<b>189,377</b>	<b>-</b>	<b>12,957,102</b>	<b>12,490,777</b>
	<b>\$10,680,913</b>	<b>\$3,244,548</b>	<b>\$815,384</b>	<b>\$8,188,220</b>	<b>\$7,012,897</b>	<b>\$5,178,987</b>	<b>\$1,162,765</b>	<b>\$225,086</b>	<b>\$211,132</b>	<b>\$36,719,932</b>	<b>\$34,137,913</b>

# Village of Harrison Hot Springs

## Schedule 2 - Table of Segmented Information

For the Year Ended December 31, 2018

	Legislative	General Government	Protective Services	Development Planning	Engineering, Transportation & Storm Water	Solid Waste	Parks, Recreation & Cultural Services	Wastewater Utility	Water Utility	Budget	2018	2017
<b>Revenue:</b>												
Property Taxes	\$ -	\$ 2,095,811	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,104,964	\$ 2,095,811	\$ 2,016,765
Sale of Services	-	235,850	-	-	-	117,742	42,300	537,119	306,627	1,281,980	1,239,638	1,253,427
Utility Service Fees	-	-	-	-	-	-	-	215,797	224,611	414,000	440,408	410,951
Government Transfers	-	624,644	-	132,166	-	-	-	-	1,988,728	3,430,631	2,745,538	678,512
Investment Income	-	85,339	-	-	-	-	-	22,287	1,919	47,000	109,545	85,617
Penalties and interest	-	63,558	-	-	-	1,427	-	6,897	6,124	18,837	78,006	89,390
Development Cost Charges	-	-	-	-	-	-	-	86,115	43,944	1,345,000	130,059	-
Contributed Assets	-	-	-	-	469,300	-	-	40,500	-	-	509,800	993,500
Other revenue	-	239,186	-	-	-	-	-	16,950	(277,416)	162,350	(21,280)	315,837
	-	3,344,389	-	132,166	469,300	119,169	42,300	925,665	2,294,537	8,804,762	7,327,526	5,843,999
<b>Expenses:</b>												
Salaries, wages and employee benefits	95,591	542,195	6,382	59,328	248,786	48,019	230,448	212,961	162,184	1,691,351	1,605,894	1,519,685
Operating Materials and supplies	-	4,421	129,158	570	134,981	194	100,662	211,717	55,589	675,577	637,291	640,129
Contracted services	-	5,250	7,956	161,783	42,382	131,716	13,215	53,280	-	645,250	415,582	393,917
Administrative services and supplies	16,579	233,669	12,879	108,433	22,768	-	10,439	20,939	13,260	516,540	438,966	398,286
Utilities	1,060	18,585	6,040	-	42,484	-	30,872	59,498	34,036	205,400	192,575	210,124
Rentals and contractual obligations	-	13,037	39,073	31,000	6,173	-	3,905	-	-	108,250	93,188	93,824
Debt financing	-	18,557	-	-	-	-	-	-	6,899	28,800	25,456	23,638
Amortization	-	211,905	4,325	-	361,143	-	94,367	145,345	148,027	860,000	965,112	899,421
	113,230	1,047,620	205,814	361,113	858,717	179,929	483,909	703,739	419,994	4,731,168	4,374,064	4,179,024
<b>Annual Surplus (Deficit)</b>	\$ (113,230)	\$ 2,296,769	\$ (205,813)	\$ (228,948)	\$ (389,417)	\$ (60,760)	\$ (441,608)	\$ 221,925	\$ 1,874,542	\$ 4,073,594	\$ 2,953,462	\$ 1,664,975