



HARRISON HOT SPRINGS

Naturally Refreshed

Village of Harrison Hot Springs

Consolidated Financial Statements

December 31, 2015

Village of Harrison Hot Springs

December 31, 2015

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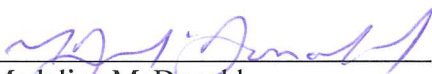
Management's Responsibility for Financial Reporting

The financial statements of the Village of Harrison Hot Springs (the Village) are the responsibility of management and have been prepared in accordance with 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.

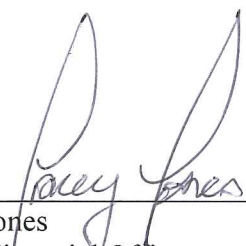
Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded in compliance with legislative and regulatory requirements and that reliable financial information is available on a timely basis. 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, McConnell, Voelkl in accordance with generally accepted auditing standards. The external auditor's responsibility is to express their opinion on whether the consolidated financial statements, in all material respects, fairly present the Village's financial position, results of operations, changes in net debt 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
May 2, 2016



Tracey Jones
Deputy Financial Officer
May 2, 2016



F.W. Voelkl, CPA, CA
C.M. Kelley, CPA, CA (incorporated professional)



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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of
The Village of Harrison Hot Springs:

We have audited the following Consolidated Statement of Financial Position of the **VILLAGE OF HARRISON HOT SPRINGS** as at **DECEMBER 31, 2015**, the Consolidated Statement of Operations and Net Change in Financial Assets and Consolidated Statement of Changes in Financial Position for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

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

Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion:

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the **VILLAGE OF HARRISON HOT SPRINGS** as at **DECEMBER 31, 2015**, and the results of its operations, net change in financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

McConnell, Voelkl

CHARTERED PROFESSIONAL ACCOUNTANTS

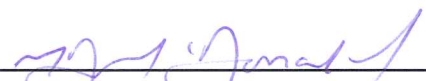
May 2, 2016
Hope, BC
Canada

Village of Harrison Hot Springs

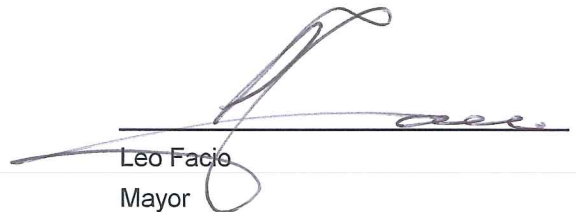
Consolidated Statement of Financial Position

As at December 31, 2015

	2015	2014
Financial assets		
Cash (Note 2)	7,794,822	6,401,201
Accounts Receivable (Note 3)	820,704	805,739
MFA Deposits (Note 4)	6,103	-
	8,621,629	7,206,940
Financial liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	393,735	411,914
Developer's Deposits and Other Trust Liabilities (Note 6)	378,097	391,277
Deferred Revenue (Note 7)	500,267	648,936
Development Cost Charges (Note 8)	1,212,301	978,021
Capital lease (Note 9)	139,211	171,331
Long-term debt (Note 10)	600,000	-
Interim financing debt (Note 11)	550,000	600,000
	3,773,611	3,201,479
Net financial assets	4,848,018	4,005,461
Non-financial assets		
Tangible Capital Assets (Note 12, Schedule 1)	31,234,292	31,421,843
Prepaid expenses	35,302	54,696
	31,269,594	31,476,539
Accumulated surplus	36,117,612	35,482,000
Represented by:		
Operating fund (Note 14)	3,385,784	2,586,023
Appropriated Surplus (Note 14)	1,768,730	1,389,874
Statutory Reserves (Note 14)	1,018,016	855,580
Equity in tangible capital assets (Note 13)	29,945,082	30,650,522
	36,117,612	35,481,999



Madeline McDonald,
Chief Administrative Officer



Leo Facio
Mayor

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

Village of Harrison Hot Springs

Consolidated Statement of Operations

for the year ended December 31, 2015

	Budget (Unaudited Note 19)	2015	2014
Revenue			
Property Taxes (Notes 15, 22)	1,920,900	1,920,696	1,886,821
Sale of Services (Note 16)	881,400	897,704	900,016
Utility Service Fees (Note 17)	394,000	395,923	395,167
Government Transfers (Note 18)	1,626,500	1,036,076	1,785,708
Investment Income	24,900	56,795	28,859
Penalties and interest	23,700	44,121	39,561
Development Cost Charges (Note 8)	385,000	16,480	-
Other revenue	61,900	36,548	53,308
	5,318,300	4,404,343	5,089,440
Expenses (Note 20)			
Legislative Services	128,050	109,463	117,012
General Government	942,100	919,319	900,771
Protective Services	201,550	174,871	161,697
Public Works	211,200	210,840	204,036
Transportation Services	144,250	124,508	102,711
Public Health	6,200	3,838	6,284
Planning and Development	25,800	33,422	47,842
Tourism, Community and Economic Development	52,300	146,511	136,406
Sustainability	10,800	9,559	8,856
Solid Waste Management and Recycling	179,400	171,070	121,232
Beaches, Parks, Recreation and Culture	442,050	351,864	395,987
Water Services	227,000	232,410	238,233
Sewer Services	539,500	461,635	556,318
Debt financing	22,600	27,172	14,987
Amortization (Note 1, Schedule 1)	794,000	792,248	747,914
	3,926,800	3,768,730	3,760,286
Annual surplus	1,391,500	635,613	1,329,154
Accumulated surplus, beginning of year	35,481,999	35,481,999	34,152,845
	36,873,499	36,117,612	35,481,999

Commitments and contingencies are specified in Note 21.

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

Village of Harrison Hot Springs

Consolidated Statement of Change in Net Financial Assets

for the year ended December 31, 2015

	Budget (Unaudited Note 19)	2015	2014
Annual Surplus	1,391,500	635,613	1,329,154
Acquisition of tangible capital assets	(3,064,500)	(604,698)	(2,121,402)
Amortization	794,000	792,248	747,914
Write down of tangible capital assets at NBV	-	-	34,300
	(879,000)	823,163	(10,034)
Acquisition of prepaid expenses	-	(35,302)	(54,696)
Use of prepaid expenses	-	54,696	95,084
	-	19,394	40,388
Increase (decrease) in net financial assets	(879,000)	842,557	30,354
Net financial assets, beginning of year	4,005,461	4,005,461	3,975,107
Net financial assets, end of year	3,126,461	4,848,018	4,005,461

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

Village of Harrison Hot Springs

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2015

	2015	2014
Cash provided by (used in):		
Operating Activities		
Annual surplus / (deficit)	635,613	1,329,154
Non Cash items:		
Amortization	792,248	747,914
(Increase) Decrease in prepaid expenses	19,394	40,388
Changes to financial assets / liabilities:		
Accounts receivable	(14,965)	222,118
MFA Deposits	(6,103)	-
Accounts payable and accrued liabilities	(31,359)	(123,663)
Deferred revenue	(148,669)	(222,779)
Development Cost Charges	234,280	119,207
Net change in cash from operating activities	1,480,439	2,112,339
Capital Activities:		
Write down of tangible capital assets at net book value	-	34,301
Acquisition of tangible capital assets	(604,698)	(2,121,402)
Net change in cash from capital activities	(604,698)	(2,087,101)
Financing Activities		
Debt repayment	(82,120)	(118,504)
Proceeds from Debt	600,000	-
Proceeds from capital lease - net of deferred charges	-	132,725
Net change in cash from financing activities	517,880	14,221
Net change in cash	1,393,621	39,459
Cash and cash equivalents at beginning of year	6,401,201	6,361,742
Cash and cash equivalents, end of year	7,794,822	6,401,201

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

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

1. Significant Accounting Policies

The Consolidated Financial Statements of the Village of Harrison Hot Springs 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. Significant accounting policies adopted by the Village are as follows:

a. Basis of consolidation

The Consolidated 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 on consolidation.

- 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 property and equipment 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

Government grants and transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year. Sale of services and user 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. Expenses are recognized as they are incurred and measurable based on a receipt of goods and services and/or the creation of a legal obligation to pay.

c. Financial Instruments

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

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

1. Significant Accounting Policies continued

d. 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. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put in to service.

Asset	Useful Life - Years
Land improvements	10-25
Parks infrastructure	10-50
Buildings	40-50
Machinery and equipment	5-10
IT infrastructure	4-10
Vehicles	5-20
Roads infrastructure	15-20
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.

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.

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

1. Significant Accounting Policies continued

e. Use of estimates

The preparation of consolidated 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.

2. Cash

	2015	2014
Restricted cash		
Statutory reserves	\$ 1,018,016	\$ 856,038
Non-Statutory Reserves	3,672,137	3,277,392
	4,690,153	4,133,430
Unrestricted cash	3,104,669	2,267,771
Total cash	\$ 7,794,822	\$ 6,401,201

3. Account Receivable

	2015	2014
Accounts Receivable - Property Taxes	\$ 329,001	\$ 380,081
Accounts Receivable - Other Governments	189,979	109,645
Accounts Receivable - Trade and Other	301,724	316,013
	\$ 820,704	\$ 805,739

4. Deposit and Reserve - Municipal Finance Authority

The Municipal Finance Authority of British Columbia (the Authority) provides capital funding for regional districts and their member municipalities. The Authority is required to establish a Debt Reserve Fund. The Authority 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 or member municipalities 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 Authority to the regional districts.

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

Deposit and Reserve - Municipal Finance Authority continued

Upon the maturity of a debt issue, the unused portion of the Debt Reserve Fund established for that issue will be discharged to the Municipality. As at December 31, the total of the Debt Reserve fund was comprised of:

	2015	2014
MFA Deposits	\$ 6,103	\$ -
MFA Deposits	\$ 6,103	\$ -

5. Accounts Payable and Accrued Liabilities

	2015	2014
Trade and Other	\$ 316,845	\$ 388,173
Holdbacks payable	10,103	7,493
Other government	1,040	193
Accrued Employee benefits	65,747	16,056
	\$ 393,735	\$ 411,915

6. Developer's Deposits and Other Trust Liabilities

	2015	2014
Property and event damage deposits	\$ 14,306	\$ 30,307
Non-refundable deposits	-	28,118
Developer Deposit	335,406	331,596
Community groups funds held in trust	28,385	1,256
	\$ 378,097	\$ 391,277

7. Deferred Revenue

Due to changes in criteria for eligible Gas Tax Revenue projects, this funding does not meet the requirement of deferred revenue and is recorded as revenue when funding is received.

	2015	2014
Prepaid taxes	\$ 131,482	\$ 120,731
Deferred Gas Tax Revenue	-	205,707
Facility rentals and other	368,785	322,498
	\$ 500,267	\$ 648,936

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

8. Development Cost Charges

	Opening Balance	Receipts	Interest	Transfers Out	Closing Balance
Sewer DCC	\$ 766,921	\$ 114,657	\$ 9,211	\$ 15,182	\$ 875,607
Water DCC	190,875	73,549	2,495	-	266,919
Drainage DCC	13,191	32,075	298	1,298	44,266
Parks DCC	7,035	18,320	154	-	25,509
	\$ 978,022	\$ 238,601	\$ 12,158	\$ 16,480	\$ 1,212,301

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

9. Capital Lease Liability

In 2013, the Village entered into a 4 year capital lease agreement with the Municipal Finance Authority to finance the acquisition of two pick-up trucks. 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 of \$47,723.

Changes in capital lease liability are as follows:

	2015	2014
Balance, January 1,	\$ 171,331	\$ 57,110
Add: Lease additions	-	132,725
Less: Principal repayments	(32,120)	(18,504)
Balance, December 31	\$ 139,211	\$ 171,331

The minimum lease payments over the next four years of the leases are as follows:

2016	\$ 30,635
2017	24,575
2018	18,342
2019	65,659
	\$ 139,211

Total interest expense during the year was \$5,915. Total interest over the term of the leases is \$22,660.

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

10. 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	\$ -	\$ 600,000	\$ -	\$ -	\$ 600,000

The following principle amounts are payable over the next three years:

	2016	2017	2018
General Fund	\$ 31,095	\$ 31,095	\$ 31,095

* Actuarial Adjustments represent interest earned on sinking funds held by the Municipal Finance Authority. Such interest is used to reduce the principal amount of outstanding debt.

11. Interim Financing

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 2015 at daily interest rates that varied between 1.30% and 1.34%. During 2015 the Village paid \$8,018 in interest (2014 \$12,213).

	2015	2014
Beginning Balance Jan 1,	\$ 600,000	\$ 700,000
Principal repayments	(50,000)	(100,000)
Ending Balance, December 31	\$ 550,000	\$ 600,000

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

12. Tangible Capital Assets

	2015	2014
Land	\$ 9,984,913	\$ 9,984,913
Buildings	996,021	1,058,979
Equipment, furniture and vehicles	735,551	755,811
Engineering Structures:		
Engineering structures - water	6,420,738	6,538,610
Engineering structures - sewer and drainage	6,913,731	6,970,531
Engineering structures - roads	4,306,829	4,571,458
Engineering structures - other	1,223,517	1,242,043
Other tangible capital assets	162,195	171,021
Work in Progress	490,797	128,477
Total	\$ 31,234,292	\$ 31,421,843

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

Included in equipment, furniture and vehicles are vehicles and equipment purchased under capital leases totalling \$209,626 with accumulated amortization to the end of 2015 of \$37,721.

13. 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:

	2015	2014
Equity in TCA, beginning of year	\$ 30,650,512	\$ 29,321,829
Add:		
Capital Expenditures	604,698	2,121,402
Debt Repayments	82,120	118,504
Less:		
Long-term debt	(600,000)	-
Gain (loss) on disposal of asset	-	(23,207)
Proceeds from capital lease	-	(140,092)
Dispositions at NBV	-	-
Amortization	(792,248)	(747,914)
Equity in TCA, end of year	\$ 29,945,082	\$ 30,650,522

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

14. Accumulated Surplus

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

	2015	2014
Surplus:		
Invested in tangible capital assets	\$ 29,945,082	\$ 30,650,522
Operating Fund	3,385,784	2,586,023
Total surplus	33,330,866	33,236,545
Reserves set aside by Council:		
Appropriated Surplus:		
Community Recreation	406,114	413,275
Assessment appeal	125,901	95,725
Beach	36,379	35,967
Building	59,985	59,296
Contingencies	10,969	10,854
Dock replacement	10,944	58,091
Boat Launch	20,069	-
Flood box / drainage	14,883	14,715
General	28,141	27,823
Insurance	9,531	9,423
Memorial Hall restoration	5,323	5,263
Parking / traffic management	54,910	36,380
Office Equipment	22,320	22,067
Property	45,418	44,904
Road/Sidewalk	12,905	12,759
Sick leave/Retirement	120,987	98,337
Community Works Fund	318,900	-
Sewer	341,290	322,640
Water	123,761	122,355
Total Appropriated Surplus	1,768,730	1,389,874
Statutory Fund Reserves:		
Community amenities	148,016	128,015
Fire department capital	214,249	187,147
Land unexpended funds	12,616	12,473
Parkland acquisition	124,743	94,569
Public works capital	17,709	71,889
Sewage treatment replacement	400,742	262,673
Sewer unexpended funds	79,940	79,039
Port Divestiture income	20,001	19,775
Total Statutory Fund Reserves	1,018,016	855,580
	\$ 36,117,612	\$ 35,481,999

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

15. Taxation

Taxation revenue, reported on the consolidated statement of operations, is made up of the following:

	Budget	2015	2014
Taxes collected			
Municipal property taxes	\$ 1,885,000	\$ 1,883,594	\$ 1,849,861
1 % Utility taxes	31,900	32,035	32,247
Payments in lieu of taxes	4,000	5,063	4,733
School taxes	1,251,500	1,253,344	1,236,786
Regional District	116,700	116,946	116,846
Regional hospital district	101,300	101,518	103,271
Police tax	118,000	118,126	114,554
Other agencies	28,600	28,720	29,436
	3,537,000	3,539,346	3,487,734
Less transfers to other governments			
School taxes paid	1,251,500	1,253,344	1,236,776
Regional district taxes paid	116,700	116,944	116,858
Regional hospital district taxes paid	101,300	101,517	103,279
Police taxes paid	118,000	118,125	114,564
Other agencies taxes paid	28,600	28,720	29,436
	1,616,100	1,618,650	1,600,913
	\$ 1,920,900	\$ 1,920,696	\$ 1,886,821

16. Sale of Services, User Rates, Rentals

	Budget	2015	2014
Sewer user fees	\$ 500,000	\$ 501,289	\$ 501,160
Water user fees	188,000	190,279	190,552
Curbside collection fees	90,000	92,093	91,966
Licenses and permits	38,600	48,713	48,735
Facility rentals	47,500	46,986	47,458
Fines	3,300	1,525	4,078
Other	3,500	3,477	3,523
Penalties	10,500	13,342	12,544
	\$ 881,400	\$ 897,704	\$ 900,016

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

17. Utility Service Fees

	Budget	2015	2014
Sewer service utility fee - residential	\$ 179,000	\$ 180,225	\$ 179,709
Sewer service utility fee - business	20,000	19,830	19,997
Water service utility fee - residential	174,000	174,834	174,226
Water service utility fee - business	21,000	21,034	21,235
Total	\$ 394,000	\$ 395,923	\$ 395,167

18. Government Transfers

The Village recognizes the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the Statement of Operations are:

	Budget	2015	2014
Provincial:			
Conditional			
Infrastructure - water treatment plant	\$ -	\$ -	\$ 790,955
Infrastructure - Miami River Dike Pump Station	560,000	123,132	13,212
Resort Municipality Initiative	183,000	145,915	420,589
Other	2,500	3,758	2,584
Unconditional	321,000	321,239	209,651
Federal			
Conditional			
Infrastructure - Miami River Dike Pump Station	560,000	123,132	13,212
Gas tax	-	318,901	335,505
	\$ 1,626,500	\$ 1,036,077	\$ 1,785,708

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

19. Budget Data

The unaudited budget data presented in these consolidated financial statements is based upon the 2015 operating and capital budgets adopted by Council on May 4, 2015. The chart below reconciles the approved balanced budget to the budget figures reported in these consolidated financial statements.

2015 Adopted Operating and Capital Budget	Budget Amount
Revenues:	
Operating budget	\$ 3,926,800
Capital budget	3,437,100
Total revenue	7,363,900
Expenses:	
Operating budget	3,926,800
Capital Budget	3,437,100
Total expenses	7,363,900
Budgeted surplus (deficit)	\$ -
Add:	
Capital expenses	\$ 3,064,500
Transfers to reserves	293,000
Principal repayments	79,600
Less:	
Transfers from reserves	(520,000)
Appropriation from Surplus	(131,600)
Borrowing	(600,000)
Amortization	(794,000)
Annual budgeted surplus (see statement of operations)	\$ 1,391,500

20. 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:

	Budget	2015	2014
Salaries, wages and employee benefits	\$ 1,542,700	\$ 1,483,864	\$ 1,477,415
Operating Materials and supplies	655,250	565,655	645,628
Contracted services	276,800	243,202	213,005
Administrative services and supplies	378,900	405,967	418,462
Utilities	154,950	153,099	149,031
Rentals and contractual obligations	101,600	97,523	93,844
Debt financing	22,600	27,172	14,987
Amortization	794,000	792,248	747,914
Total expenditures by object	\$ 3,926,800	\$ 3,768,730	\$ 3,760,286

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

21. 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, 2014, the plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 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 is then adjusted to the extent there is amortization of any funding deficit.

The Village of Harrison Hot Springs paid \$91,780 (2014 \$93,372) for employer contributions to the Plan in fiscal 2015.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the plan in aggregate, 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 \$31,000. The term of the agreement ends December 31, 2018.
- e. The Village has committed to the completion of three major capital projects in the 1st half of 2016 at an estimated total cost of \$3,427,206. The three projects and their estimated costs are as follows: Miami River Flood Pump Project \$ 1,918,748; Esplanade Phase 2 at a cost of \$851,000; and renovation of the Beach Washrooms at a cost of \$657,458. These projects are funded from a combination of reserves, grants, long term debt and surplus.

Village of Harrison Hot Springs

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2015

22. Significant Taxpayer

The Village is reliant upon one taxpayer for approximately 17.15% of the municipal property tax revenue.

23. Landfill assessment

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 three years at which time the results will determine if any further action is required.

24. Comparative Figures

Certain balances of the preceding year have been reclassified to conform to the current year's financial statement presentation.

Village of Harrison Hot Springs

Schedule 1 - Consolidated Statement of Tangible Capital Assets

For the Year Ended December 31, 2015

	Engineered Structures								Other Tangible Capital Assets	2015	2014
	Land	Building	Equipment Furniture Vehicles	Water	Sewer Drainage	Roads	Other	Work In Progress			
COST											
Opening balance	\$9,984,913	\$1,984,778	\$1,981,341	\$7,702,915	\$8,930,294	\$8,521,923	\$1,830,731	\$128,477	\$327,090	\$41,392,462	\$39,459,704
Add: Additions	-	-	88,135	-	99,333	-	54,910	362,320	-	604,698	2,121,403
Less: Disposals	-	-	-	-	-	-	-	-	-	-	(188,645)
Closing Balance	9,984,913	1,984,778	2,069,476	7,702,915	9,029,627	8,521,923	1,885,641	490,797	327,090	41,997,160	41,392,462
ACCUMULATED AMORTIZATION											
Opening Balance	-	925,799	1,225,530	1,164,305	1,959,763	3,950,465	588,688	-	156,069	9,970,619	9,377,049
Add: Amortization	-	62,958	108,395	117,872	156,133	264,629	73,436	-	8,826	792,249	747,914
Less: Acc. Amortization on Disposals	-	-	-	-	-	-	-	-	-	-	(154,344)
Closing Balance	-	988,757	1,333,925	1,282,177	2,115,896	4,215,094	662,124	-	164,895	10,762,868	9,970,619
	\$9,984,913	\$ 996,021	\$ 735,551	\$6,420,738	\$6,913,731	\$4,306,829	\$1,223,517	\$490,797	\$162,195	\$31,234,292	\$31,421,843

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