

Consolidated Financial Statements of



DISTRICT OF HUDSON'S HOPE

Year ended December 31, 2018



**HUDSON'S
HOPE**
PLAYGROUND OF THE PEACE

DISTRICT OF HUDSON'S HOPE

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the District of Hudson's Hope (the "District") are the responsibility of the District's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the District. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the District's consolidated financial statements.

Mr. Chris Cvik
Chief Administrative Officer

Mrs. Rhonda Eastman
Deputy Treasurer





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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of District of Hudson's Hope

Opinion

We have audited the consolidated financial statements of District of Hudson's Hope, (the "District") which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2018 and its consolidated results of 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and those Charged with Governance for the 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 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.

Auditors' 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 auditors' 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 the 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 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 auditors' 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation



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- 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.

KPMG LLP

Chartered Professional Accountants

Prince George, Canada

April 16, 2019



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DISTRICT OF HUDSON'S HOPE

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|----------------------|----------------------|
| Financial assets: | | |
| Cash and cash equivalents (note 2) | \$ 5,416,404 | \$ 3,964,852 |
| Accounts receivable (note 3) | 451,813 | 1,111,607 |
| Deposit - Municipal Finance Authority | 497 | 486 |
| | <u>5,868,714</u> | <u>5,076,945</u> |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities (note 4) | 301,942 | 628,784 |
| Reserve - Municipal Finance Authority | 497 | 486 |
| Deferred revenue (note 5) | 528,160 | 528,160 |
| Debt, net of sinking funds (note 6) | 11,538 | 14,151 |
| | <u>842,137</u> | <u>1,171,581</u> |
| Net financial assets | 5,026,577 | 3,905,364 |
| Non-financial assets: | | |
| Tangible capital assets (note 7) | 21,208,775 | 23,514,500 |
| Land held for resale | 1,354,003 | - |
| Prepaid expenses | 78,843 | - |
| | <u>22,641,621</u> | <u>23,514,500</u> |
| Accumulated Surplus (note 8) | \$ 27,668,198 | \$ 27,419,864 |

Commitments and contingencies (note 9)

See accompanying notes to consolidated financial statements.

 
 Chief Administrative Officer
 
 Mayor



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Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

| | 2018 Budget | 2018 | 2017 |
|--|----------------------|----------------------|----------------------|
| Revenue: | | | |
| Net taxation revenue (note 11) | \$ 2,045,573 | \$ 2,042,293 | \$ 2,077,487 |
| Grants in lieu of taxes | 1,558,733 | 1,645,129 | 1,553,215 |
| Sales of services and user charges (note 12) | 914,250 | 589,984 | 663,334 |
| Other revenue from own sources | 149,250 | 159,296 | 139,348 |
| Government transfers: (note 13) | | | |
| Provincial | 1,474,647 | 1,496,816 | 4,960,249 |
| Federal | 90,378 | 193,450 | 133,719 |
| Total revenue | 6,232,831 | 6,126,968 | 9,527,352 |
| Expenses: | | | |
| General government services and administration (note 14) | 1,007,392 | 2,583,135 | 1,846,988 |
| Protective services | 351,350 | 276,214 | 244,916 |
| Public works services | 1,184,705 | 1,190,261 | 988,639 |
| Environmental and public health services | 187,519 | 176,631 | 109,536 |
| Environmental development services | 52,100 | 44,356 | 31,312 |
| Recreation and cultural services | 1,207,788 | 933,610 | 982,860 |
| Planning, development and bylaw services | 291,857 | 149,991 | 145,924 |
| Water utility and sanitary sewer systems | 523,763 | 524,436 | 422,905 |
| Total expenses | 4,806,474 | 5,878,634 | 4,773,080 |
| Annual surplus | 1,426,357 | 248,334 | 4,754,272 |
| Accumulated surplus, beginning of year | 27,419,864 | 27,419,864 | 22,665,592 |
| Accumulated surplus, end of year | \$ 28,846,221 | \$ 27,668,198 | \$ 27,419,864 |

See accompanying notes to consolidated financial statements.



DISTRICT OF HUDSON'S HOPE

Consolidated Statement of Change In Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

| | 2018 Budget | 2018 | 2017 |
|--|----------------|--------------|--------------|
| Annual surplus | \$ 1,426,357 | \$ 248,334 | \$ 4,754,272 |
| Acquisition of tangible capital assets | (2,399,876) | (902,486) | (8,134,935) |
| Amortization of tangible capital assets | - | 979,194 | 795,723 |
| Loss (gain) on sale of tangible capital assets | - | 535,293 | 23,661 |
| Proceeds on sale of tangible capital assets | - | 339,721 | 42,508 |
| | (973,519) | 1,200,056 | (2,518,771) |
| Use (acquisition) of prepaid expenses | - | (78,843) | 38,880 |
| Change in net financial assets | (973,519) | 1,121,213 | (2,479,891) |
| Net financial assets, beginning of year | 3,905,364 | 3,905,364 | 6,385,255 |
| Net financial assets, end of year | \$ 2,931,845 | \$ 5,026,577 | \$ 3,905,364 |

See accompanying notes to consolidated financial statements.



DISTRICT OF HUDSON'S HOPE

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 248,334 | \$ 4,754,272 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 979,194 | 795,723 |
| Loss on sale of capital assets | 535,293 | 23,661 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 659,794 | (861,997) |
| Accounts payable and accrued liabilities | (326,842) | 381,654 |
| Unearned revenue | - | 528,160 |
| Prepaid expenses | (78,843) | 38,880 |
| | <u>2,016,930</u> | <u>5,660,353</u> |
| Capital activities: | | |
| Proceeds on sale of tangible capital assets | 339,721 | 42,508 |
| Acquisition of tangible capital assets | (902,486) | (8,134,935) |
| | <u>(562,765)</u> | <u>(8,092,427)</u> |
| Financing activities: | | |
| Repayment of long term debt | (2,613) | (2,512) |
| | <u>1,451,552</u> | <u>(2,434,586)</u> |
| Increase (decrease) in cash and cash equivalents | 1,451,552 | (2,434,586) |
| Cash and cash equivalents, beginning of year | 3,964,852 | 6,399,438 |
| Cash and cash equivalents, end of year | <u>\$ 5,416,404</u> | <u>\$ 3,964,852</u> |

See accompanying notes to consolidated financial statements.



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements

Year ended December 31, 2018

Nature of operations:

The District of Hudson's Hope (the "District") was incorporated in 1965 as a District Municipality under the Community Charter, formerly the Municipal Act, a statute of the Province of British Columbia. Its principal activities include the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water, sanitary sewer and fiscal services.

1. Significant accounting policies:

The consolidated financial statements of the District are prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the District are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the District and which are owned or controlled by the District.

(ii) Accounting for Region and School Board Transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operation of the Region and the School Board are not reflected in these consolidated financial statements.

(iii) Trust funds:

Trust funds and their related operations administered by the District are not included in these consolidated financial statements.



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(b) Basis of accounting:

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Revenue recognition:

The District recognizes revenue in accordance with the provisions of the Community Charter. The District is required to act as the agent for the collection of certain taxes and fees imposed by other authorities. Collections for other authorities are excluded from the District's taxation revenues.

Revenue unearned in the current period is reported on the consolidated statement of financial position as deferred revenue.

(d) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding agency or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(e) Cash and cash equivalents:

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(f) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They 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 are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

| Asset | Useful life - years |
|---|---------------------|
| Building and site improvements | 10 - 50 |
| Machinery and equipment | 5 - 25 |
| Engineering structures | 15 - 40 |
| Water and sanitary sewer infrastructure | 15 - 40 |

Annual amortization is charged in the year that an asset becomes available for productive use and in the year of disposal.

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are tested annually for any impairment in value, continued usefulness of the assets and related carrying values. Any impairment in carrying value would be recorded in the period that the impairment occurs.

(ii) Contributions to tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Interest capitalization:

The District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Items subject to such estimates and assumptions include the carrying amount of tangible capital assets. Actual results could differ from these estimates.

(h) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- i) an environmental standard exists;
- ii) contamination exceeds the environmental standard;
- iii) the organization is directly responsible or accepts responsibility for the liability;
- iv) future economic benefits will be given up, and
- v) a reasonable estimate of the liability can be made.

(i) Land held for sale:

Land held for sale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

(j) Government transfers:

Government transfers, which include legislative grants, are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized in the statements of operations as stipulations for liabilities are settled.



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

2. Cash and cash equivalents:

Cash and cash equivalents is comprised of cash balances and short-term investments held with the Northern Peace Savings and Credit Union as follows:

| | 2018 | 2017 |
|------------------------|---------------------|---------------------|
| Cash | \$ 3,126,311 | \$ 1,869,118 |
| Short-term investments | 2,290,093 | 2,095,734 |
| | \$ 5,416,404 | \$ 3,964,852 |

3. Accounts receivable:

| | 2018 | 2017 |
|-----------|-------------------|---------------------|
| Grants | \$ 251,634 | \$ 763,832 |
| Sales tax | 32,331 | 158,243 |
| Other | 83,925 | 136,571 |
| Taxes | 83,923 | 52,961 |
| | \$ 451,813 | \$ 1,111,607 |

4. Accounts payable and accrued liabilities:

| | 2018 | 2017 |
|---------------------------------|-------------------|-------------------|
| Accounts payable - trade | \$ 130,915 | \$ 479,759 |
| Wages and related costs payable | 169,910 | 129,253 |
| Government remittances | - | 18,023 |
| Other | 1,117 | 1,749 |
| | \$ 301,942 | \$ 628,784 |



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

5. Deferred revenue:

| | 2018 | 2017 |
|-----------------------------------|------------|------------|
| Partnering relationship agreement | \$ 528,160 | \$ 528,160 |

6. Debt, net of sinking funds:

The District issues debt instruments through the Municipal Finance Authority of British Columbia ("MFA"), pursuant to security issuing bylaws under authority of Section 178 of the Community Charter, to finance certain capital expenditures.

| | Purpose | Interest rate | Year of maturity | Debenture debt | Sinking Fund Assets | Net debt 2018 | Net debt 2017 |
|---------------|--------------------|---------------|------------------|----------------|---------------------|---------------|---------------|
| General fund: | | | | | | | |
| 711 | Local improvements | 4.60% | 2022 | 15,926 | 4,388 | 11,538 | 14,151 |
| | | | | \$ 15,926 | \$ 4,388 | \$ 11,538 | \$ 14,151 |

Debt is reported net of sinking fund balances on the consolidated statement of financial position.

(a) Aggregate repayments of principal over the next five years are estimated as follows:

| | Total |
|-------------------------------|-----------|
| 2019 | \$ 1,765 |
| 2020 | 1,765 |
| 2021 | 1,765 |
| 2022 | 1,765 |
| | 7,060 |
| Estimated sinking fund income | 4,478 |
| | \$ 11,538 |



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

6. Debt, net of sinking funds (continued):

(b) The District has the following un-issued loan authorization at December 31, 2018.

| Bylaw Number | Date | Purpose | 2018 |
|--------------|------------------|------------------------|-----------|
| 711 | January 15, 2008 | 12 mile road extension | \$ 45,742 |

(c) Sinking fund instalments are invested by the MFA and earn income which, together with principal payments, are expected to be sufficient to retire the sinking fund debt at maturity. For sinking fund agreements, the MFA has established either a normal sinking fund or a capital repayment equalization fund.

(d) The District has established a \$400,000 operating line of credit, which bears interest at prime and is secured by term deposits and accounts receivable. As at December 31, 2018 borrowing against the operating line of credit was nil (2017 - nil).



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

7. Tangible capital assets:

| | 2018 | | | | | | | Total |
|----------------------------------|--------------|---------------------------------|-------------------------|------------------------|----------------------|-------------------------------|---------------|-------|
| | Land | Buildings and site improvements | Machinery and equipment | Engineering structures | Water infrastructure | Sanitary sewer infrastructure | | |
| Cost: | | | | | | | | |
| Balance, beginning of year | \$ 3,496,925 | \$ 9,761,029 | \$ 6,901,249 | \$ 5,775,518 | \$ 5,575,190 | \$ 3,610,952 | \$ 35,120,863 | |
| Additions | 59,625 | - | 217,752 | 133,599 | - | 491,510 | 902,486 | |
| Disposals | (872,884) | - | - | - | - | (5,325) | (878,209) | |
| Reclass for assets held for sale | (1,354,003) | - | - | - | - | - | (1,354,003) | |
| Balance, end of year | 1,329,663 | 9,761,029 | 7,119,001 | 5,909,117 | 5,575,190 | 4,097,137 | 33,791,137 | |
| Accumulated amortization: | | | | | | | | |
| Balance, beginning of year | - | 2,979,284 | 2,657,111 | 3,360,582 | 2,145,981 | 463,405 | 11,606,363 | |
| Amortization expense | - | 229,594 | 382,959 | 132,164 | 130,667 | 103,809 | 979,193 | |
| Disposal | - | - | - | - | - | (3,194) | (3,194) | |
| Balance, end of year | - | 3,208,878 | 3,040,070 | 3,492,746 | 2,276,648 | 564,020 | 12,582,362 | |
| Net book value, end of year | \$ 1,329,663 | \$ 6,552,151 | \$ 4,078,931 | \$ 2,416,371 | \$ 3,298,542 | \$ 3,533,117 | \$ 21,208,775 | |



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

7. Tangible capital assets (continued):

| | 2017 | | | | | | | |
|----------------------------------|--------------|--------------------------------|-------------------------|------------------------|----------------------|-------------------------------|--|---------------|
| | Land | Building and site improvements | Machinery and equipment | Engineering structures | Water infrastructure | Sanitary sewer infrastructure | | Total |
| Cost: | | | | | | | | |
| Balance, beginning of year | \$ 1,424,213 | \$ 9,039,526 | \$ 5,452,968 | \$ 4,295,972 | \$ 5,392,995 | \$ 1,453,778 | | \$ 27,059,452 |
| Additions | 2,072,712 | 721,503 | 1,521,805 | 1,479,546 | 182,195 | 2,157,174 | | 8,134,935 |
| Disposals | - | - | (73,524) | - | - | - | | (73,524) |
| Balance, end of year | 3,496,925 | 9,761,029 | 6,901,249 | 5,775,518 | 5,575,190 | 3,610,952 | | 35,120,863 |
| Accumulated amortization: | | | | | | | | |
| Balance, beginning of year | - | 2,752,323 | 2,340,065 | 3,266,510 | 2,016,633 | 442,464 | | 10,817,995 |
| Amortization expense | - | 226,961 | 324,401 | 94,072 | 129,348 | 20,941 | | 795,723 |
| Disposal | - | - | (7,355) | - | - | - | | (7,355) |
| Balance, end of year | - | 2,979,284 | 2,657,111 | 3,360,582 | 2,145,981 | 463,405 | | 11,606,363 |
| Net book value, end of year | \$ 3,496,925 | \$ 6,781,745 | \$ 4,244,138 | \$ 2,414,936 | \$ 3,429,209 | \$ 3,147,547 | | \$ 23,514,500 |



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Accumulated surplus:

| | 2018 | 2017 |
|--|----------------------|----------------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 21,208,775 | \$ 23,514,500 |
| General fund | 3,469,147 | 556,833 |
| Water utility fund | 419,078 | 149,498 |
| Sanitary sewer fund | 555,887 | 782,700 |
| | <u>25,652,887</u> | <u>25,003,531</u> |
| Reserves set aside by Council: | | |
| Water utility fund: | | |
| Unexpended funds: | | |
| MFA debt reserve | 142,858 | 140,386 |
| MFA sinking fund surplus | 73,821 | 72,543 |
| | <u>216,678</u> | <u>212,929</u> |
| Reserve funds set aside for specific purposes by Council: | | |
| Capital works, machinery and equipment | 1,302,080 | 1,435,377 |
| Water capital works, machinery and equipment | 214,043 | 523,248 |
| Sewer capital works, machinery and equipment | 35,047 | 34,440 |
| Tax sale properties | 217,462 | 210,339 |
| Community hall | 30,000 | - |
| | <u>1,798,632</u> | <u>2,203,404</u> |
| | <u>\$ 27,668,198</u> | <u>\$ 27,419,864</u> |



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

9. Commitments and contingencies:

- (a) The District is responsible, as a member of the Peace River Regional District, for its portion of any operating deficits or capital debt related to functions in which it participates. Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.
- (b) The District issues debt instruments through the MFA. As a condition of these borrowings, the MFA requires that 1% of gross proceeds are deposited by the District into a debt reserve fund. The District is also required to execute demand notes in connection with each debenture whereby the District may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the accounts. The demand notes issued at December 31, 2018 aggregated \$1,385 (2017 - \$1,385).
- (c) The District and its employees contribute to the Municipal Pension Plan ("the Plan"), a jointly-trusted pension plan. The Board of Trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2017, the Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 38,000 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 amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the 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.



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

9. Commitments and contingencies (continued):

- (c) The District paid \$122,030 (2017 - \$120,697) for employer contributions 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.

- (d) The District is obligated to collect and transmit property taxes levied on Hudson's Hope taxpayers in respect of the following bodies:

Ministry of Education, Province of British Columbia
Peace River Regional District
British Columbia Assessment Authority
Municipal Finance Authority
Peace River Regional Hospital District
Royal Canadian Mounted Police

- (e) The District is a participant in the Municipal Insurance Association of British Columbia. Should the Association pay out claim in excess of premiums received, it is possible that the District, along with other participants, would be required to contribute toward the deficit. Management does not consider external payment under this contingency to be likely and therefore no amounts have been accrued.

10. Trust fund:

The District maintains a cemetery perpetual care fund in accordance with the Cemeteries and Funeral Services Act. As at December 31, 2018, the trust fund balance for both the liability and its corresponding term deposit is \$16,699 (2017 - \$16,386).



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

11. Net taxation revenue:

The District is required to collect taxes on behalf of and transfer these amounts to the government agencies noted below:

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Taxes collected: | | |
| General purposes | \$ 2,048,391 | \$ 2,079,281 |
| Collections for other governments | 3,147,640 | 3,216,208 |
| | <u>5,196,031</u> | <u>5,295,489</u> |
| Less transfers to other governments: | | |
| Province of British Columbia - school taxes | 2,640,701 | 2,677,461 |
| Peace River Regional District | 151,129 | 169,355 |
| Peace River Regional Hospital District | 222,936 | 228,025 |
| Royal Canadian Mounted Police | 102,698 | 106,002 |
| B.C. Assessment Authority | 36,199 | 37,082 |
| Municipal Finance Authority | 75 | 77 |
| | <u>3,153,738</u> | <u>3,218,002</u> |
| | <u>\$ 2,042,293</u> | <u>\$ 2,077,487</u> |

12. Sales of services and user charges:

The District recognizes sales of services and user charges as revenues in the period in which the services are provided. The sales of services and user charges reported on the Consolidated Statement of Operations and Accumulated Surplus are as follows:

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Water utility | \$ 149,573 | \$ 146,850 |
| Sewer system | 79,302 | 80,493 |
| General government services | 141,499 | 213,609 |
| Planning, development and bylaw services | 11,678 | 10,023 |
| Environmental and public health services | 74,636 | 74,947 |
| Recreation and cultural services | 133,296 | 137,412 |
| | <u>\$ 589,984</u> | <u>\$ 663,334</u> |



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DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

13. Government transfers:

| | 2018 | 2017 |
|---------------------------------------|--------------|--------------|
| Revenue: | | |
| Provincial grants: | | |
| Stimulus | \$ 739,418 | \$ 637,248 |
| Sanitary sewer grant | - | 1,392,892 |
| Unconditional | 23,795 | 290,895 |
| Carip grant | 1,503 | 10,141 |
| BC Hydro (tree program) | 2,000 | 4,000 |
| Northern Development Initiative Trust | 40,338 | 59,200 |
| Small Community grant | 292,433 | - |
| Tourism BC grant | 10,000 | 10,936 |
| Union of BC Municipalities | 72,181 | 983,693 |
| Atkinson subdivision grant | 315,148 | 1,567,244 |
| Mobile kiosk | - | 4,000 |
| | 1,496,816 | 4,960,249 |
| Federal grants: | | |
| Gas tax | 193,450 | 133,719 |
| | \$ 1,690,266 | \$ 5,093,968 |

14. General government services and administration:

The general government services and administration reported on the Consolidated Statement of Operations and Accumulated Surplus are as follows:

| | 2018 | 2017 |
|-----------------------------|--------------|--------------|
| Legislative | \$ 103,605 | \$ 90,162 |
| Grants in aid | 14,715 | 41,510 |
| General government services | 2,406,368 | 1,657,877 |
| ICBC | 58,447 | 57,439 |
| | \$ 2,583,135 | \$ 1,846,988 |



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

15. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council on April 23, 2018. Amortization was not contemplated on development of the budget and, as such, has not been included. The table below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

| | Budget amount |
|-----------------------------------|---------------------|
| Revenues: | |
| Operating budget | \$ 8,375,376 |
| Capital operations budget | 2,399,876 |
| Less: | |
| Collections for other governments | (3,168,086) |
| Transfers from other funds | (1,374,335) |
| | <u>6,232,831</u> |
| Expenses: | |
| Operating budget | 8,375,376 |
| Capital operations budget | 2,399,876 |
| Less: | |
| Payments to other governments | (3,168,086) |
| Transfers from other funds | (400,816) |
| Capital expenditures | (2,399,876) |
| | <u>4,806,474</u> |
| | <u>\$ 1,426,357</u> |

16. Significant taxpayers:

The District derives a significant portion of its taxation revenue from the utility sector. Any changes in this sector could have an impact on the ongoing operations of the District.



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

17. Segmented information:

Segmented information has been identified based upon lines of services provided by the District. District services are provided by the departments and their activities are reported by functional area in the body of the consolidated financial statements. Certain lines of services that have been separately disclosed in the segmented information, are as follows:

(i) General Government and Administration:

The general government operations and administration provides the functions of corporate administration and legislative services and any other functions categorized as non-departmental in the District.

(ii) Protective Services:

Protective services is comprised of the fire department and other community protection costs incurred by the District.

(iii) Public Works Services:

The public works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parks and open space, and street lighting in the District.

(iv) Environmental and Public Health Services:

Environmental and public health services is responsible for environmental programs such as waste management, which encompasses garbage collection and recycling. This segment is also responsible for rental of the doctor's office in the District.

(v) Environmental Development Services:

Environmental development services is responsible for community and economic development, in regard to community development projects.

(vi) Planning, Development and Bylaw Services:

Planning, development and bylaw services is responsible for community planning (OCP), zoning, bylaw enforcement, animal control and building inspection in the District.



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

17. Segmented information: (continued):

(vii) Recreational and Cultural Services:

Recreational and cultural services provides various recreational and cultural opportunities to the residents and visitors of the District, including the library, pool, arena, community hall, tourism information centre and museum.

(viii) Water Utility and Sanitary Sewer Systems:

The water utility installs and maintains water mains, pump stations and the water treatment plant. The treatment and distribution of water in the District is included in this segment. The sanitary sewer utility installs and maintains sewer mains, lift stations and the sewage treatment facility. The collection and treatment of sewage in the District is included in this segment.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment that generated the revenue. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

17. Segmented information: (continued):

| | 2018 | | | | | | | | Total |
|---------------------------------------|---------------------------------------|---------------------|-----------------------|--|------------------------------------|--|------------------------------------|---|-------------------|
| | General Government and Administration | Protective Services | Public Works Services | Environmental and Public Health Services | Environmental Development Services | Planning, Development and Bylaw Services | Recreational and Cultural Services | Water Utility and Sanitary Sewer System | |
| Revenue: | | | | | | | | | |
| Taxation | \$ 2,042,293 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,042,293 |
| Government transfers | 1,690,266 | - | - | - | - | - | - | - | 1,690,266 |
| Grants in lieu | 1,645,129 | - | - | - | - | - | - | - | 1,645,129 |
| User charges | 141,499 | - | - | 74,636 | - | 11,678 | 133,296 | 228,875 | 589,984 |
| Other | 159,296 | - | - | - | - | - | - | - | 159,296 |
| Total revenues | 5,678,483 | - | - | 74,636 | - | 11,678 | 133,296 | 228,875 | 6,126,968 |
| Expenses: | | | | | | | | | |
| Salaries, wages and employee benefits | 769,380 | 88,468 | 582,937 | 70,548 | 36,725 | 93,011 | 434,911 | 143,920 | 2,219,900 |
| Operating | 872,501 | 151,261 | 502,204 | 55,560 | 7,631 | 53,136 | 498,424 | 155,632 | 2,296,349 |
| Legislature | 100,775 | - | - | - | - | - | - | - | 100,775 |
| Amortization | 754,310 | - | - | - | - | - | - | 224,884 | 979,194 |
| Interest | 19,291 | - | - | - | - | - | - | - | 19,291 |
| Insurance | 16,006 | 5,235 | 105,120 | - | - | 1,862 | 275 | - | 128,498 |
| Professional services | 50,872 | 31,250 | - | - | - | 1,982 | - | - | 84,104 |
| Garbage disposal | - | - | - | 50,523 | - | - | - | - | 50,523 |
| Total expenses | 2,583,135 | 276,214 | 1,190,261 | 176,631 | 44,356 | 149,991 | 933,610 | 524,436 | 5,878,634 |
| Annual surplus (deficit) | \$ 3,095,348 | \$ (276,214) | \$ (1,190,261) | \$ (101,995) | \$ (44,356) | \$ (138,313) | \$ (800,314) | \$ (295,561) | \$ 248,334 |



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

17. Segmented information: (continued):

| | 2017 | | | | | | | | |
|---------------------------------------|---------------------------------------|---------------------|-----------------------|--|------------------------------------|--|------------------------------------|---|------------------|
| | General Government and Administration | Protective Services | Public Works Services | Environmental and Public Health Services | Environmental Development Services | Planning, Development and Bylaw Services | Recreational and Cultural Services | Water Utility and Sanitary Sewer System | Total |
| Revenue: | | | | | | | | | |
| Taxation | \$ 2,077,487 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 2,077,487 |
| Government transfers | 5,093,968 | - | - | - | - | - | - | - | 5,093,968 |
| Grants in lieu | 1,553,215 | - | - | - | - | - | - | - | 1,553,215 |
| User charges | 213,609 | - | - | 74,947 | - | 10,023 | 137,412 | 227,343 | 663,334 |
| Other | 139,348 | - | - | - | - | - | - | - | 139,348 |
| Total revenue | 9,077,627 | - | - | 74,947 | - | 10,023 | 137,412 | 227,343 | 9,527,352 |
| Expenses: | | | | | | | | | |
| Salaries, wages and employee benefits | 739,423 | 77,174 | 492,052 | 66,177 | 27,591 | 79,357 | 399,244 | 131,101 | 2,012,119 |
| Operating | 279,368 | 134,988 | 411,705 | 11,841 | 3,721 | 62,282 | 582,282 | 122,330 | 1,608,517 |
| Legislature | 86,840 | - | - | - | - | - | - | - | 86,840 |
| Amortization | 626,249 | - | - | - | - | - | - | 169,474 | 795,723 |
| Interest (recovery) | 16,881 | - | - | - | - | - | 1,249 | - | 18,130 |
| Insurance | 25,832 | 4,803 | 84,882 | - | - | 1,828 | 85 | - | 117,430 |
| Professional services | 72,395 | 27,951 | - | - | - | 2,457 | - | - | 102,803 |
| Garbage disposal | - | - | - | 31,518 | - | - | - | - | 31,518 |
| Total expenses | 1,846,988 | 244,916 | 988,639 | 109,536 | 31,312 | 145,924 | 982,860 | 422,905 | 4,773,080 |
| Annual surplus (deficit) | \$ 7,230,639 | \$ (244,916) | \$ (988,639) | \$ (34,589) | \$ (31,312) | \$ (135,901) | \$ (845,448) | \$ (195,562) | 4,754,272 |



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DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

18. Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year. These changes do not affect prior year surplus.