

Consolidated Financial Statements of



DISTRICT OF HUDSON'S HOPE

And Independent Auditors' Report thereon

Year ended December 31, 2019



HUDSON'S
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DISTRICT OF HUDSON'S HOPE

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**HUDSON'S
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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



KPMG LLP
177 Victoria Street, Suite 400
Prince George BC V2L 5R8
Canada
Tel (250) 563-7151
Fax (250) 563-5693

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, 2019
- 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2019 and its consolidated results of operations, its consolidated changes in net financial assets 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.



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- 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
- 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 27, 2020



DISTRICT OF HUDSON'S HOPE

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash and cash equivalents (note 2)	\$ 6,067,135	\$ 5,416,404
Accounts receivable (note 3)	853,731	451,813
Deposit - Municipal Finance Authority	497	497
	<u>6,921,363</u>	<u>5,868,714</u>
Financial liabilities:		
Accounts payable and accrued liabilities (note 4)	391,163	301,942
Reserve - Municipal Finance Authority	497	497
Deferred revenue (note 5)	508,160	528,160
Debt, net of sinking funds (note 6)	8,821	11,538
	<u>908,641</u>	<u>842,137</u>
Net financial assets	6,012,722	5,026,577
Non-financial assets:		
Tangible capital assets (note 7)	21,363,090	21,208,775
Land held for resale	1,426,128	1,354,003
Prepaid expenses	17,738	78,843
Inventories	177,731	-
	<u>22,984,687</u>	<u>22,641,621</u>
Accumulated Surplus (note 8)	\$ 28,997,409	\$ 27,668,198

Commitments and contingencies (note 9)

See accompanying notes to consolidated financial statements.



 Chief Administrative Officer


 Mayor



DISTRICT OF HUDSON'S HOPE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019	2018
Revenue:			
Net taxation revenue (note 11)	\$ 2,114,271	\$ 2,107,549	\$ 2,042,293
Grants in lieu of taxes	1,718,575	1,727,048	1,645,129
Sales of services and user charges (note 12)	1,726,258	726,890	589,984
Other revenue from own sources	144,525	152,580	159,296
Government transfers: (note 13)			
Provincial	740,116	2,066,503	1,496,816
Federal	97,849	195,835	193,450
Total revenue	6,541,594	6,976,405	6,126,968
Expenses:			
General government services and administration (note 14)	1,453,188	2,444,902	2,583,135
Protective services	309,277	259,475	276,214
Public works services	1,124,228	1,148,358	1,190,261
Environmental and public health services	167,064	132,765	176,631
Environmental development services	23,500	20,241	44,356
Recreation and cultural services	1,158,009	1,035,554	933,610
Planning, development and bylaw services	70,630	56,849	149,991
Water utility and sanitary sewer systems	1,208,193	549,050	524,436
Total expenses	5,514,089	5,647,194	5,878,634
Annual surplus	1,027,505	1,329,211	248,334
Accumulated surplus, beginning of year	27,668,198	27,668,198	27,419,864
Accumulated surplus, end of year	\$ 28,695,703	\$ 28,997,409	\$ 27,668,198

See accompanying notes to consolidated financial statements.



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Consolidated Statement of Change In Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019	2018
Annual surplus	\$ 1,027,505	\$ 1,329,211	\$ 248,334
Acquisition of tangible capital assets	(1,423,474)	(1,251,066)	(902,486)
Acquisition of land held for resale	-	(72,125)	-
Amortization of tangible capital assets	-	981,559	979,194
Loss on sale of tangible capital assets	-	30,458	535,293
Proceeds on sale of tangible capital assets	-	84,734	339,721
	(395,969)	1,102,771	1,200,056
Use of inventories	-	3,296	-
Acquisition of inventories	-	(181,027)	-
Use of prepaid expenses	-	78,843	(78,843)
Acquisition of prepaid expenses	-	(17,738)	-
Change in net financial assets	(395,969)	986,145	1,121,213
Net financial assets, beginning of year	5,026,577	5,026,577	3,905,364
Net financial assets, end of year	\$ 4,630,608	\$ 6,012,722	\$ 5,026,577

See accompanying notes to consolidated financial statements.



DISTRICT OF HUDSON'S HOPE

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,329,211	\$ 248,334
Items not involving cash:		
Amortization of tangible capital assets	981,559	979,194
Loss on sale of capital assets	30,458	535,293
Changes in non-cash operating working capital:		
Accounts receivable	(401,918)	659,794
Inventories	(177,731)	-
Accounts payable and accrued liabilities	89,221	(326,842)
Prepaid expenses	61,105	(78,843)
Deferred revenue	(20,000)	-
	<u>1,891,905</u>	<u>2,016,930</u>
Capital activities:		
Proceeds on sale of tangible capital assets	84,734	339,721
Acquisition of tangible capital assets	(1,251,066)	(902,486)
Acquisition of land held for resale	(72,125)	-
	<u>(1,238,457)</u>	<u>(562,765)</u>
Financing activities:		
Repayment of long term debt	(2,717)	(2,613)
	<u>650,731</u>	<u>1,451,552</u>
Increase in cash and cash equivalents	650,731	1,451,552
Cash and cash equivalents, beginning of year	5,416,404	3,964,852
Cash and cash equivalents, end of year	<u>\$ 6,067,135</u>	<u>\$ 5,416,404</u>

See accompanying notes to consolidated financial statements.



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements

Year ended December 31, 2019

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.



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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, 2019

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.



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(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.

(iv) Land held for resale:

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.

(v) Inventories:

Inventories are valued at the lower of cost and replacement cost with cost determined using a moving average basis.

(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.



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(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) 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.

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:

	2019	2018
Cash	\$ 3,647,629	\$ 3,126,311
Short-term investments	2,419,506	2,290,093
	\$ 6,067,135	\$ 5,416,404



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Accounts receivable:

	2019	2018
Grants	\$ 644,214	\$ 251,634
Sales tax	63,230	32,331
Other	58,396	83,925
Taxes	87,891	83,923
	<u>\$ 853,731</u>	<u>\$ 451,813</u>

4. Accounts payable and accrued liabilities:

	2019	2018
Accounts payable - trade	\$ 214,910	\$ 130,915
Wages and related costs payable	176,253	169,910
Other	-	1,117
	<u>\$ 391,163</u>	<u>\$ 301,942</u>

5. Deferred revenue:

	2019	2018
Partnering relationship agreement	\$ 508,160	\$ 528,160



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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 2019	Net debt 2019
General fund:							
	Local						
711	improvements	4.60%	2022	\$ 14,161 \$	5,340 \$	8,821 \$	11,538

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

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

	Total
2020	\$ 1,765
2021	1,765
2022	1,765
	5,295
Estimated sinking fund income	3,526
	\$ 8,821



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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

(b) The District has the following un-issued loan authorization at December 31, 2019.

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 \$200,000 operating line of credit, which bears interest at prime and is secured by term deposits and accounts receivable. As at December 31, 2019 borrowing against the operating line of credit was nil (2018 - nil).



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Tangible capital assets:

	2019							
	Land	Buildings and site improvements	Machinery and equipment	Engineering structures	Water infrastructure	Sanitary sewer infrastructure		Total
Cost:								
Balance, beginning of year	\$ 1,329,663	\$ 9,761,029	\$ 7,119,001	\$ 5,909,117	\$ 5,575,190	\$ 4,097,137		\$ 33,791,137
Additions	72,125	-	355,054	-	816,328	79,684		1,323,191
Disposals	(59,625)	-	(103,909)	-	-	-		(163,534)
Reclass for assets held for sale	(72,125)	-	-	-	-	-		(72,125)
Balance, end of year	1,270,038	9,761,029	7,370,146	5,909,117	6,391,518	4,176,821		34,878,669
Accumulated amortization:								
Balance, beginning of year	-	3,208,878	3,040,070	3,492,746	2,276,648	564,020		12,582,362
Amortization expense	-	231,319	390,729	132,607	118,638	108,266		981,559
Disposal	-	-	(48,342)	-	-	-		(48,342)
Balance, end of year	-	3,440,197	3,382,457	3,625,353	2,395,286	672,286		13,515,579
Net book value, end of year	\$ 1,270,038	\$ 6,320,832	\$ 3,987,689	\$ 2,283,764	\$ 3,996,232	\$ 3,504,535		\$ 21,363,090



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Tangible capital assets (continued):

	2018							
	Land	Building and site improvements	Machinery and equipment	Engineering structures	Water infrastructure	Sanitary sewer infrastructure		Total
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	-	-	-	-	-	(3,198)		(3,194)
Balance, end of year	-	3,208,878	3,040,070	3,492,746	2,276,648	564,016		12,582,362
Net book value, end of year	\$ 1,329,663	\$ 6,552,151	\$ 4,078,931	\$ 2,416,371	\$ 3,298,542	\$ 3,533,121		\$ 21,208,775



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

8. Accumulated surplus:

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 21,363,090	\$ 21,208,775
General fund	4,479,208	3,469,147
Water utility fund	475,629	419,078
Sanitary sewer fund	326,790	555,887
	<u>26,644,717</u>	<u>25,652,887</u>
Reserves set aside by Council:		
Water utility fund:		
Unexpended funds:		
MFA debt reserve	146,325	142,858
MFA sinking fund surplus	75,612	73,821
	<u>221,937</u>	<u>216,678</u>
Reserve funds set aside for specific purposes by Council:		
Capital works, machinery and equipment	1,626,120	1,302,080
General, machinery and equipment office	90,032	-
Water capital works, machinery and equipment	72,740	214,043
Sewer capital works, machinery and equipment	61,897	35,047
Tax sale properties	219,238	217,462
Community hall	60,728	30,000
	<u>2,130,755</u>	<u>1,798,632</u>
	<u>\$ 28,997,409</u>	<u>\$ 27,668,198</u>



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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, 2019 aggregated \$1,385 (2018 - \$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, 2018, the Plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from the local governments.

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

The most recent valuation for the Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

9. Commitments and contingencies (continued):

- (c) The District paid \$144,595 (2018 - \$122,030) for employer contributions to the Plan in fiscal 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

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, 2019, the trust fund balance for both the liability and its corresponding term deposit is \$17,837 (2018 - \$16,699).

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

11. Net taxation revenue:

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

	2019	2018
Taxes collected:		
General purposes	\$ 2,109,443	\$ 2,048,391
Collections for other governments	3,178,870	3,147,640
	5,288,313	5,196,031
Less transfers to other governments:		
Province of British Columbia - school taxes	2,635,973	2,640,701
Peace River Regional District	179,654	151,129
Peace River Regional Hospital District	226,720	222,936
Royal Canadian Mounted Police	102,580	102,698
B.C. Assessment Authority	35,759	36,199
Municipal Finance Authority	78	75
	3,180,764	3,153,738
	\$ 2,107,549	\$ 2,042,293

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:

	2019	2018
Water utility	\$ 211,194	\$ 149,573
Sewer system	82,240	79,302
General government services	173,490	141,499
Planning, development and bylaw services	8,147	11,678
Environmental and public health services	94,108	74,636
Recreation and cultural services	157,711	133,296
	\$ 726,890	\$ 589,984



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

13. Government transfers:

	2019	2018
Revenue:		
Provincial grants:		
Stimulus	\$ 732,617	\$ 739,418
Canada Student Grant	4,144	-
Unconditional	-	23,795
CARLP grant	10,462	1,503
BC Hydro (tree program)	-	2,000
Northern Development Initiative Trust	15,599	40,338
Small Community grant	303,236	292,433
Tourism BC grant	11,007	10,000
Union of BC Municipalities	184,120	72,181
Atkinson subdivision grant	-	315,148
BC Hydro	805,318	-
	2,066,503	1,496,816
Federal grants:		
Gas tax	195,835	193,450
	\$ 2,262,338	\$ 1,690,266

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:

	2019	2018
Legislative	\$ 117,339	\$ 103,605
Grants in aid	37,663	14,715
General government services	2,237,503	2,406,368
ICBC	52,397	58,447
	\$ 2,444,902	\$ 2,583,135



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

15. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2019 operating and capital budgets approved by Council on April 23, 2019. 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	\$ 7,491,864
Capital operations budget	1,423,474
Less:	
Transfers from other funds	(2,373,745)
	6,541,593
Expenses:	
Operating budget	7,491,864
Capital operations budget	1,423,474
Less:	
Transfers from other funds	(1,977,776)
Capital expenditures	(1,423,474)
	5,514,088
	\$ 1,027,505

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.

17. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.



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DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

18. 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.



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DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

18. 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.



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DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

18. Segmented information: (continued):

	2019								
	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	\$ 2,107,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,107,549
Government transfers	2,262,337	-	-	-	-	-	-	-	2,262,337
Grants in lieu	1,727,048	-	-	-	-	-	-	-	1,727,048
User charges	174,575	-	-	93,809	-	7,362	157,711	293,434	726,891
Other	152,580	-	-	-	-	-	-	-	152,580
Total revenues	6,424,089	-	-	93,809	-	7,362	157,711	293,434	6,976,405
Expenses:									
Salaries, wages and employee benefits	713,243	125,433	538,942	44,954	9,016	-	472,562	65,678	1,969,828
Operating	592,706	105,259	598,459	67,401	11,225	36,964	561,899	266,059	2,239,972
Legislature	117,339	-	-	-	-	3,131	-	-	120,470
Amortization	764,246	-	-	-	-	-	-	217,312	981,559
Interest	56,614	-	-	-	-	-	-	-	56,614
Insurance	76,705	5,403	10,957	-	-	358	1,093	-	94,516
Professional services	124,049	23,380	-	-	-	16,396	-	-	163,825
Garbage disposal	-	-	-	20,410	-	-	-	-	20,410
Total expenses	2,444,902	259,475	1,148,358	132,765	20,241	56,849	1,035,554	549,049	5,647,194
Annual surplus (deficit)	\$ 3,979,187	\$ (259,475)	\$ (1,148,358)	\$ (38,956)	\$ (20,241)	\$ (49,487)	\$ (877,843)	\$ (255,615)	\$ 1,329,211



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

18. Segmented information: (continued):

	2018								
	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	\$ 2,042,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 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 revenue	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 (recovery)	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