

Consolidated Financial Statements of



DISTRICT OF HUDSON'S HOPE

And Independent Auditors' Report thereon

Year ended December 31, 2020



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. Mokles Rahman
Chief Administrative Officer

Mrs. Tonia Alexander
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, 2020
- 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, 2020 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the right end.

Chartered Professional Accountants

Prince George, Canada

April 12, 2021



**HUDSON'S
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Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash and cash equivalents (note 2)	\$ 6,868,503	\$ 6,067,135
Accounts receivable (note 3)	1,568,355	853,731
Deposit - Municipal Finance Authority	519	497
	<u>8,437,377</u>	<u>6,921,363</u>
Financial liabilities:		
Accounts payable and accrued liabilities (note 4)	504,506	391,163
Reserve - Municipal Finance Authority	519	497
Deferred revenue (note 5)	539,123	508,160
Debt, net of sinking funds (note 6)	5,995	8,821
	<u>1,050,143</u>	<u>908,641</u>
Net financial assets	7,387,234	6,012,722
Non-financial assets:		
Tangible capital assets (note 7)	24,601,520	21,363,090
Land held for resale (note 8)	657,600	1,426,128
Prepaid expenses	19,217	17,738
Inventories	166,528	177,731
	<u>25,444,865</u>	<u>22,984,687</u>
Accumulated Surplus (note 9)	\$ 32,832,099	\$ 28,997,409

Commitments and contingencies (note 10)

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, 2020, with comparative information for 2019

	2020 Budget (note 16)	2020 Actual	2019 Actual
Revenue (note 18):			
Net taxation revenue (note 11)	\$ 2,423,180	\$ 2,296,169	\$ 2,107,549
Grants in lieu of taxes	1,769,958	1,773,879	1,727,048
Sales of services and user charges (note 12)	823,238	550,309	726,890
Other revenue from own sources	122,761	175,773	153,080
Government transfers: (note 13)			
Provincial	1,502,900	4,856,463	2,066,503
Federal	97,849	97,869	195,835
Total revenue	6,739,886	9,750,462	6,976,905
Expenses (note 18):			
General government services and administration (note 14)	1,691,072	2,813,625	2,445,402
Protective services	334,700	270,759	259,475
Public works services	1,634,297	1,592,455	1,470,134
Environmental and public health services	66,400	51,591	54,524
Environmental development services	40,500	1,203	11,225
Recreation and cultural services	942,185	641,687	838,731
Planning, development and bylaw services	68,065	59,662	56,849
Water utility and sanitary sewer systems	445,361	484,790	511,354
Total expenses	5,222,580	5,915,772	5,647,694
Annual surplus	1,517,306	3,834,690	1,329,211
Accumulated surplus, beginning of year	28,997,409	28,997,409	27,668,198
Accumulated surplus, end of year	\$ 30,514,715	\$ 32,832,099	\$ 28,997,409

See accompanying notes to consolidated financial statements.



DISTRICT OF HUDSON'S HOPE

Consolidated Statement of Change In Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget	2020	2019
Annual surplus	\$ 1,517,306	\$ 3,834,690	\$ 1,329,211
Acquisition of tangible capital assets	(2,200,515)	(4,142,228)	(1,251,066)
Acquisition of land held for resale	-	(80,807)	(72,125)
Amortization of tangible capital assets	-	971,727	981,559
Write-down of land held for sale	-	768,528	-
Loss on sale of tangible capital assets	-	878	30,458
Proceeds on sale of tangible capital assets	-	12,000	84,734
	(683,209)	1,364,788	1,102,771
Use of inventories	-	11,203	3,296
Acquisition of inventories	-	-	(181,027)
Use of prepaid expenses	-	17,738	78,843
Acquisition of prepaid expenses	-	(19,217)	(17,738)
Change in net financial assets	(683,209)	1,374,512	986,145
Net financial assets, beginning of year	6,012,722	6,012,722	5,026,577
Net financial assets, end of year	\$ 5,329,513	\$ 7,387,234	\$ 6,012,722

See accompanying notes to consolidated financial statements.



DISTRICT OF HUDSON'S HOPE

Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
	2020	2019
	Actual	Actual
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 3,834,690	\$ 1,329,211
Items not involving cash:		
Amortization of tangible capital assets	971,727	981,559
Loss on sale of capital assets	878	30,458
Write down of land held for sale	768,528	-
Changes in non-cash operating working capital:		
Accounts receivable	(714,624)	(401,918)
Deposit - Municipal Finance Authority	(22)	-
Inventories	11,203	(177,731)
Accounts payable and accrued liabilities	113,341	89,221
Reserve - Municipal Finance Authority	22	-
Prepaid expenses	(1,479)	61,105
Deferred revenue	30,963	(20,000)
	5,015,229	1,891,905
Capital activities:		
Proceeds on sale of tangible capital assets	12,000	84,734
Acquisition of tangible capital assets	(4,142,228)	(1,251,066)
Acquisition of land held for resale	(80,807)	(72,125)
	(4,211,035)	(1,238,457)
Financing activities:		
Repayment of debt	(2,826)	(2,717)
Increase in cash and cash equivalents	801,368	650,731
Cash and cash equivalents, beginning of year	6,067,135	5,416,404
Cash and cash equivalents, end of year	\$ 6,868,503	\$ 6,067,135

See accompanying notes to consolidated financial statements.



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian Federal and Provincial governments, enacting emergency measures to combat the spread of the virus. The current economic climate may have a direct impact on the District's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the District's operations to date is not known at this time. There have been no significant adverse impacts on the District's business to date.

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.



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(b) Basis of consolidation (continued):

(iii) Trust funds:

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

(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.



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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, 2020

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 consist of crushed gravel and sand. 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, 2020

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:

	2020	2019
Cash	\$ 4,428,092	\$ 3,647,629
Short-term investments	2,440,411	2,419,506
	<u>\$ 6,868,503</u>	<u>\$ 6,067,135</u>



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

3. Accounts receivable:

	2020	2019
Grants	\$ 1,376,888	\$ 644,214
Sales tax	111,452	63,230
Other	35,930	58,396
Taxes	44,085	87,891
	\$ 1,568,355	\$ 853,731

4. Accounts payable and accrued liabilities:

	2020	2019
Accounts payable - trade	\$ 402,136	\$ 214,910
Wages and related costs payable	85,204	176,253
Government remittances	13,921	-
Cemetery	3,245	-
	\$ 504,506	\$ 391,163

5. Deferred revenue:

	2020	2019
Partnering relationship agreement	\$ 539,123	\$ 508,160



Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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 2020	Net debt 2019
General fund:							
	Local						
711	improvements	4.60%	2022	\$ 11,335 \$	5,340 \$	5,995 \$	8,821

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

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

	Total
2021	\$ 1,765
2022	1,765
	3,530
Estimated sinking fund income	2,465
	\$ 5,995



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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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

(b) The District has the following un-issued loan authorization at December 31, 2020.

Bylaw Number	Date	Purpose	2020
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, 2020 borrowing against the operating line of credit was nil (2019 - nil).



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

7. Tangible capital assets:

	2020							
	Land	Buildings and site improvements	Machinery and equipment	Engineering structures	Water infrastructure	Sanitary sewer infrastructure		Total
Cost:								
Balance, beginning of year	\$ 1,270,038	\$ 9,761,029	\$ 7,370,146	\$ 5,909,117	\$ 6,391,518	\$ 4,176,821		\$ 34,878,669
Additions	134,173	-	118,854	442,309	3,160,371	286,521		4,142,228
Disposals	-	-	(50,413)	-	-	-		(50,413)
Addition of assets held for sale	80,807	-	-	-	-	-		80,807
Balance, end of year	1,485,018	9,761,029	7,438,587	6,351,426	9,551,889	4,463,342		39,051,291
Accumulated amortization:								
Balance, beginning of year	-	3,440,197	3,382,457	3,625,353	2,395,286	672,286		13,515,579
Amortization expense	-	241,202	387,853	135,254	107,941	99,477		971,727
Disposal	-	-	(37,535)	-	-	-		(37,535)
Balance, end of year	-	3,681,399	3,732,775	3,760,607	2,503,227	771,763		14,449,771
Net book value, end of year	\$ 1,485,018	\$ 6,079,630	\$ 3,705,812	\$ 2,590,819	\$ 7,048,662	\$ 3,691,579		\$ 24,601,520



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

7. Tangible capital assets (continued):

	2019							
	Land	Building 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



Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

8. Land held for resale:

Land held for resale consists of seventeen lots in relation to the Lucas subdivision. A write down of \$768,528 (2019 - \$nil) was recognized in general government services and administration on the consolidated statement of operations for the Lucas subdivision.

9. Accumulated surplus:

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 24,601,520	\$ 21,363,090
General fund	5,539,447	4,479,208
Water utility fund	239,059	475,629
Sanitary sewer fund	48,893	326,790
	<u>30,428,919</u>	<u>26,644,717</u>
Reserves set aside by Council:		
Water utility fund:		
Unexpended funds:		
MFA debt reserve	147,610	146,325
MFA sinking fund surplus	76,281	75,612
	<u>223,901</u>	<u>221,937</u>
Reserve funds set aside for specific purposes by Council:		
Public works, infrastructure and equipment	1,529,078	1,626,120
General capital and office equipment	95,829	90,032
Water capital, infrastructure and equipment	71,384	72,740
Sewer capital, infrastructure and equipment	44,445	61,897
Tax sale properties	347,278	219,238
Community hall	91,265	60,728
	<u>2,179,279</u>	<u>2,130,755</u>
	<u>\$ 32,832,099</u>	<u>\$ 28,997,409</u>



10. 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, 2020 aggregated \$1,385 (2019 - \$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, 2020, the Plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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, 2020

10. Commitments and contingencies (continued):

- (c) The District paid \$143,208 (2019 - \$144,595) for employer contributions to the Plan in fiscal 2020.

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.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

11. Net taxation revenue:

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

	2020	2019
Taxes collected:		
General purposes	\$ 2,290,243	\$ 2,109,443
Collections for other governments	3,321,786	3,178,870
	<u>5,612,029</u>	<u>5,288,313</u>
Less transfers to other governments:		
Province of British Columbia - school taxes	2,771,542	2,635,973
Peace River Regional District	195,510	179,654
Peace River Regional Hospital District	195,731	226,720
Royal Canadian Mounted Police	113,600	102,580
B.C. Assessment Authority	39,395	35,759
Municipal Finance Authority	82	78
	<u>3,315,860</u>	<u>3,180,764</u>
	<u>\$ 2,296,169</u>	<u>\$ 2,107,549</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:

	2020	2019
Water utility	\$ 167,947	\$ 211,194
Sewer system	80,300	82,240
General government services	116,333	174,275
Planning, development and bylaw services	10,221	7,362
Environmental and public health services	87,181	94,108
Recreation and cultural services	88,327	157,711
	<u>\$ 550,309</u>	<u>\$ 726,890</u>

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

13. Government transfers:

	2020	2019
Revenue:		
Provincial grants:		
Canada Student Grant	\$ -	\$ 4,144
Climate Action Revenue Incentive program grant	10,462	10,462
COVID-19 Restart Grant (schedule 1)	499,000	-
BC Hydro	3,308,971	805,318
Northern Development Initiative Trust	15,548	15,599
Peace River agreement- Fair Share	700,284	732,617
Small Community grant	311,198	303,236
Tourism BC grant	11,000	11,007
Union of BC Municipalities	-	184,120
	4,856,463	2,066,503
Federal grants:		
Gas tax	97,869	195,835
	\$ 4,954,332	\$ 2,262,338

14. General government services and administration:

	2020	2019
Legislative	\$ 88,125	\$ 117,339
Grants in aid	20,591	37,663
General government services	2,635,363	2,238,503
ICBC	69,546	52,397
	\$ 2,813,625	\$ 2,445,902



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

15. Trust fund:

The District maintains a cemetery perpetual care fund in accordance with the Cemeteries and Funeral Services Act. As at December 31, 2020, the trust fund balance for both the liability and its corresponding term deposit is \$18,088 (2019 - \$17,837).

16. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2020 operating and capital budgets approved by Council on April 27, 2020. 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	\$ 6,739,886
Capital operations budget	2,200,515
Less:	
Transfers from other funds	(2,200,515)
	<u>6,739,886</u>
Expenses:	
Operating budget	6,739,886
Capital operations budget	2,200,515
Less:	
Transfers from other funds	(1,517,307)
Capital expenditures	(2,200,515)
	<u>5,222,580</u>
	<u>\$ 1,517,306</u>



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

17. 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.

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 Services and Administration:

The general government services 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.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

18. Segmented information: (continued):

(v) Environment 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.

(vii) Recreation and Culture 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, 2020

18. Segmented information: (continued):

	2020								
	General Government Services and Administration	Protective Services	Public Works Services	Environmental and Public Health Services	Environmental Development Services	Planning, Development and Bylaw Services	Recreation and Culture Services	Water Utility and Sanitary Sewer System	Total
Revenue:									
Taxation	\$ 2,296,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,296,169
Government transfers	2,019,667	-	-	-	-	-	-	2,934,665	4,954,332
Grants in lieu	1,773,879	-	-	-	-	-	-	-	1,773,879
Sales of services and user charges	116,333	-	-	87,181	-	10,221	88,327	248,247	550,309
Other revenue from own sources	175,773	-	-	-	-	-	-	-	175,773
Total revenues	6,381,821	-	-	87,181	-	10,221	88,327	3,182,912	9,750,462
Expenses:									
Salaries, wages and employee benefits	777,390	110,256	1,182,544	-	-	-	188,437	118,021	2,376,648
Operating	1,014,394	120,116	353,299	43,150	1,203	38,425	451,475	149,237	2,171,299
Legislature	94,408	-	-	-	-	2,589	-	-	96,997
Amortization	754,195	-	-	-	-	-	-	217,532	971,727
Interest	3,021	-	-	-	-	-	-	-	3,021
Insurance	91,813	5,019	56,612	-	-	2,090	1,775	-	157,309
Professional services	78,404	35,368	-	-	-	16,558	-	-	130,330
Garbage disposal	-	-	-	8,441	-	-	-	-	8,441
Total expenses	2,813,625	270,759	1,592,455	51,591	1,203	59,662	641,687	484,790	5,915,772
Annual surplus (deficit)	\$ 3,568,196	\$ (270,759)	\$ (1,592,455)	\$ 35,590	\$ (1,203)	\$ (49,441)	\$ (553,360)	\$ 2,698,122	\$ 3,834,690



DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

18. Segmented information: (continued):

	2019								
	General Government Services and Administration	Protective Services	Public Works Services	Environmental and Public Health Services	Environmental Development Services	Planning, Development and Bylaw Services	Recreation and Culture Services	Water Utility and Sanitary Sewer System	Total
Revenue:									
Taxation	\$ 2,107,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,107,549
Government transfers	2,262,338	-	-	-	-	-	-	-	2,262,338
Grants in lieu	1,727,048	-	-	-	-	-	-	-	1,727,048
Sale of services and user charges	174,275	-	-	94,108	-	7,362	157,711	293,434	726,890
Other revenue from own sources	153,080	-	-	-	-	-	-	-	153,080
Total revenue	6,424,290	-	-	94,108	-	7,362	157,711	293,434	6,976,905
Expenses:									
Salaries, wages and employee benefits	766,140	124,717	1,055,347	-	-	-	269,195	130,807	2,346,206
Operating	588,809	105,975	358,898	34,114	11,225	35,322	568,443	163,235	1,866,021
Legislature	121,235	-	-	-	-	3,131	-	-	124,366
Amortization	764,247	-	-	-	-	-	-	217,312	981,559
Interest (recovery)	4,217	-	-	-	-	-	-	-	4,217
Insurance	76,705	5,403	55,889	-	-	2,000	1,093	-	141,090
Professional services	124,049	23,380	-	-	-	16,396	-	-	163,825
Garbage disposal	-	-	-	20,410	-	-	-	-	20,410
Total expenses	2,445,402	259,475	1,470,134	54,524	11,225	56,849	838,731	511,354	5,647,694
Annual surplus (deficit)	\$ 3,978,888	\$ (259,475)	\$ (1,470,134)	\$ 39,584	\$ (11,225)	\$ (49,487)	\$ (681,020)	\$ (217,920)	\$ 1,329,211



HUDSON'S
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DISTRICT OF HUDSON'S HOPE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

19. Comparative information

Certain 2019 comparative information has been reclassified. The changes had no impact on prior year annual surplus.



DISTRICT OF HUDSON'S HOPE

Schedule 1 - COVID-19 Safe Restart Grant

Year ended December 31, 2020
(Unaudited)

In November 2020, the District of Hudson's Hope was the recipient of a \$499,000 grant under the COVID-19 Safe Restart for Local Governments program from the Province of BC. Due to the conditions of use this grant funding allows local governments to use the funding where the greatest need arises, the entire \$499,000 amount received was considered revenue in 2020 and included grant revenue on the Consolidated Statement of Operations and Accumulated Surplus. The District allocated \$70,329 within 2020 to cover operational costs and loss of revenue in relation to the operation of the District's Pool and Arena in addition to overall pandemic responses incurred since the beginning of the pandemic in the spring of 2020.

	2020
Grant funding received - November 2020	\$ 499,000
Less amount utilized in 2020	
Masks & hand sanitizer	(6,624)
Arena operations	(36,893)
Swimming operations	(26,812)
Total funding available for allocation	(70,329)
Remaining COVID-19 Safe Restart Grant for allocation in 2021	\$ 428,671