

Village of Harrison Hot Springs  
Financial Statements  
For the year ended December 31, 2023

Village of Harrison Hot Spring  
Financial Statements  
For the year ended December 31, 2023

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## Statement of Management's Responsibility


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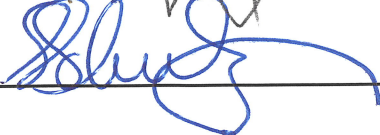
The financial statements of the Village of Harrison Hot Springs (the Village) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards, consistently applied and appropriate in the circumstances. The preparation of the financial statements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

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

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

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

  
\_\_\_\_\_  
Chief Administrative Officer

  
\_\_\_\_\_  
Chief Financial Officer

May 6, 2024



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## Independent Auditor's Report

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

### Opinion

We have audited the financial statements of the Village of Harrison Hot Springs (the "Village") which comprise the Statement of Financial Position as at December 31, 2023 and the Statements Operations, Changes in Net Financial Assets, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2023 and its results of operations, changes in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Unaudited Information

We have not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of 'Schedule 3 - Schedule for Growing Communities Fund' that is included in the Village's financial statements.

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

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

In preparing the financial statements, management is responsible for assessing the Village's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Village, or to cease operations, or has no realistic alternative but to do so.

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



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally-accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally-accepted auditing standards we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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


Chartered Professional Accountants

Vancouver, British Columbia

May 8, 2024

**Village of Harrison Hot Springs**  
**Statement of Financial Position**

December 31	2023	2022 (Restated)
		(Note 12)
<b>Financial Assets</b>		
Cash (Note 1)	\$ 22,814,943	\$ 20,957,382
Accounts Receivable (Note 2)	1,716,059	1,042,032
MFA Deposits (Note 3)	7,332	7,111
	<b>24,538,334</b>	<b>22,006,525</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 4)	321,567	682,807
Employee Future Benefits (Note 5)	88,015	116,328
Developers' Deposits and Other Liabilities (Note 6)	1,968,765	3,042,180
Deferred Revenue (Note 7)	2,240,922	1,160,771
Development Cost Charges (Note 8)	5,419,329	5,227,879
Liabilities Under Agreement (Note 9)	-	2,362
Long-term Debt (Note 10)	318,538	358,100
Asset Retirement Obligation (Note 11)	18,019	58,594
	<b>10,375,155</b>	<b>10,649,021</b>
<b>Net Financial Assets</b>	<b>14,163,179</b>	<b>11,357,504</b>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Note 12, Schedule 2)	38,385,382	38,193,551
Prepaid Expenses	64,663	56,374
	<b>38,450,045</b>	<b>38,249,925</b>
<b>Accumulated surplus (Note 14)</b>	<b>\$ 52,613,224</b>	<b>\$ 49,607,429</b>

  
 \_\_\_\_\_ Chief Administrative Officer  
  
 \_\_\_\_\_ Mayor

Village of Harrison Hot Springs  
Statement of Operations

For year ended December 31	2023 Budget (Note 19)	2023	2022 (Restated) (Note 12)
<b>Revenue</b>			
Property Taxes (Note 15)	\$ 2,708,856	\$ 2,709,154	\$ 2,551,795
Sale of Services (Note 16)	1,727,909	1,758,323	1,688,486
Utility Service Fees (Note 17)	500,820	505,985	491,453
Government Transfers (Note 18)	9,708,484	2,468,868	2,122,812
Investment Income	70,764	747,745	350,537
Penalties and Interest	-	83,494	64,321
Development Cost Charges (Note 9)	2,878,375	343,624	71,952
Other Revenue	47,085	114,006	92,391
	<u>17,642,293</u>	<u>8,731,199</u>	<u>7,433,747</u>
<b>Expenses (Note 20)</b>			
Legislative Services	198,020	167,245	115,957
General Government	1,503,366	1,678,828	1,229,942
Protective Services	318,841	329,259	274,928
Public Works	416,887	424,888	396,952
Transportation Services	535,546	450,902	471,903
Public Health	6,285	7,213	7,535
Planning and Development	144,520	115,710	278,299
Tourism, Community and Economic Development	326,653	257,380	277,440
Solid Waste Management and Recycling	263,314	244,972	259,859
Beaches, Parks, Recreation and Culture	626,595	551,043	512,320
Sewer Services	949,475	896,637	876,175
Water Services	557,623	601,327	499,374
	<u>5,847,125</u>	<u>5,725,404</u>	<u>5,200,684</u>
Annual surplus	11,795,168	3,005,795	2,233,063
Accumulated surplus, beginning of year, (Note 14)	<u>49,607,429</u>	<u>49,607,429</u>	<u>47,374,366</u>
Accumulated surplus, end of year	<u>\$ 61,402,597</u>	<u>\$ 52,613,224</u>	<u>\$ 49,607,429</u>

Village of Harrison Hot Springs  
Statement of Changes in Net Financial Assets

For year ended December 31	2023 Budget (Note 19)	2023	2022 (Restated) (Note 12)
Annual surplus	\$ 11,795,168	\$ 3,005,795	\$ 2,233,063
Acquisition of tangible capital assets	(14,098,048)	(1,394,155)	(2,340,530)
Amortization of tangible capital assets (Note 20, Schedule 2)	1,128,000	1,202,324	1,130,056
Loss on disposal of tangible capital assets	-	-	8,174
Change in prepaid expenses	-	(8,289)	299,686
Increase (Decrease) in net financial assets for the year	(1,174,880)	2,805,675	1,330,449
Net financial assets, beginning of year	11,357,504	11,357,504	10,027,055
Net financial assets, end of year	\$ 10,182,624	\$ 14,163,179	\$ 11,357,504



Village of Harrison Hot Springs  
Statement of Cash Flows

For the year ended December 31	2023	2022
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 3,005,795	\$ 2,233,063
Items not involving cash:		
Loss on disposal of tangible capital assets	-	8,174
Amortization of tangible capital assets	1,202,324	1,130,056
Accretion expense	2,444	2,346
	4,210,563	3,373,639
Changes in working capital:		
Accounts receivable	(674,027)	(547,135)
MFA Deposits	(221)	(155)
Prepaid expenses	(8,289)	299,687
Accounts payable and accrued liabilities	(361,240)	262,993
Developers' deposits and other liabilities	(1,073,415)	1,624,457
Employee future benefits	(28,313)	(15,471)
Deferred revenue	1,080,151	(944,426)
Development cost charges	191,450	459,130
	3,336,659	4,512,719
Capital activities		
Asset retirement remediation	(43,019)	-
Acquisition of tangible capital assets	(1,394,155)	(2,340,530)
Financing transactions		
Repayment of long-term debt	(41,924)	(59,165)
Increase in cash during the year	1,857,561	2,113,024
Cash, beginning of year	20,957,382	18,844,358
Cash, end of year	\$ 22,814,943	\$ 20,957,382

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Village of Harrison Hot Springs  
Summary of Significant Accounting Policies

For the year ended December 31, 2023

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Significant Accounting Policies

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

a. Basis of Reporting

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

i. Operating Funds

These funds include the General, Water and Sewer operations of the Village. They are used to record the operating costs of the services provided by the Village.

ii. Capital funds

These funds include the General, Water and Sewer capital funds. They are used to record the acquisition and disposal of tangible capital assets and their financing.

iii. Reserve funds

Under the Community Charter, Village Council may, by bylaw establish reserve funds for specified purposes. Money in a Statutory Reserve Fund, and interest earned thereon, must be expended by bylaw only for the purpose for which the fund was established. If the amount in a reserve fund is greater than required, Village Council may, by bylaw, transfer all or part of the balance to another reserve fund. Non-statutory Reserves require being included in an approved council budget or a resolution before these funds can be expended.

b. Revenue Recognition

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

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

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Village of Harrison Hot Springs  
Summary of Significant Accounting Policies

For the year ended December 31, 2023

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b. Revenue Recognition (continued)

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

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

c. Expense Recognition

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

d. Financial Instruments

Effective January 1, 2023, the Village adopted PS 3450 - Financial Instruments. The standard was adopted prospectively and comparative figures were not restated.

The Village's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, long-term debt and interim financing debt. All financial instruments are measured at cost or amortized cost on the statement of financial position, using the effective interest rate method to determine interest revenue or expense. Transaction costs are added to the carrying value for financial instruments.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Unrealized gains and losses from changes in the fair value of financial instruments would be recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations. As the Village has no financial instruments reported at fair value, no statement of remeasurement gain or loss is presented in these financial statements.

e. Asset Retirement Obligations

Effective January 1, 2023, the Village adopted PS 3280 - Asset Retirement Obligations. Under this standard, a liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date.

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Village of Harrison Hot Springs  
Summary of Significant Accounting Policies

For the year ended December 31, 2023

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e. Asset Retirement Obligations (continued)

This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

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 may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i. Tangible Capital Assets

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

Land improvements	10 to 25 years
Parks infrastructure	10 to 50 years
Buildings	40 to 60 years
Machinery, furniture and equipment	5 to 10 years
IT infrastructure	4 to 10 years
Vehicles	5 to 20 years
Roads infrastructure	15 to 75 years
Water infrastructure	10 to 100 years
Sewer infrastructure	10 to 100 years
Drainage infrastructure	10 to 100 years

ii. Contributions of Tangible Capital Assets

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

iii. Works of Art and Cultural and Historic Assets

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

iv. Leased Tangible Capital Assets

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

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Village of Harrison Hot Springs  
Summary of Significant Accounting Policies

For the year ended December 31, 2023

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g. Use of estimates

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

h. Liability for Contaminated Sites

The preparation of financial statements in accordance with Canadian public sector accounting Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

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

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

The Village has determined that as of December 31, 2023, no contamination in excess of an environmental standard exists to land for which the Village is responsible.

Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

1.	Cash	2023	2022
	Restricted cash:		
	Statutory reserves	\$ 2,714,534	\$ 1,361,661
	Non-statutory reserves	5,376,207	4,428,345
	Development Cost Charges/Deposits in Trust	5,419,329	9,430,830
	Unrestricted Cash	13,510,070	15,220,836
		9,304,873	5,736,546
		\$22,814,943	\$ 20,957,382

2.	Accounts Receivable	2023	2022
	Property taxes receivable	\$ 327,414	\$ 169,192
	Government grants receivable	1,138,751	653,965
	Trade and other receivable	249,894	218,875
		\$ 1,716,059	\$ 1,042,032

3. Municipal Finance Authority Deposits

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

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

Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

4. Accounts Payable and Accrued Liabilities

	2023	2022
Trade and other	\$ 19,320	\$ 349,214
Holdbacks payable	42,616	116,362
Other government	182,028	150,065
Accrued employee benefits	77,603	67,166
	\$ 321,567	\$ 682,807

5. Employee Future Benefits

Sick Pay

The Village provides paid sick leave to qualifying employees, this benefit accrues at two days of sick leave per month. At the end of each calendar year 2/3 of the unused portion of sick leave is vested up to a maximum of 360 days. The amount recorded for this benefit is based on a valuation prepared by an independent firm of actuaries. The date of the last full actuarial evaluation was as of December 31, 2023.

Retirement Allowance

A regular employee who retires under the provisions of the Municipal Pension Plan is entitled to a retirement benefit as outlined in the Collective Agreement and Management Policy. In all instances, the rate of pay used in the calculation of the retirement benefit shall be the rate of pay applicable on the last day worked. The amount recorded for this benefit in 2023 is based on a valuation prepared by an independent firm of actuaries. The date of the last full actuarial evaluation was as of December 31, 2023.

As of December 31, 2023, \$88,015 (2022 - \$116,328) of the amount of the liability has been charged to operations. The significant actuarial assumptions adopted in measuring the Village's accrued benefit obligation are as follows:

	2023	2022
Discount rates	4.0 %	4.4 %
Expected future inflation	3.0 %	2.5 %

Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

5. Employee Future Benefits (continued)

Accrued Benefit Obligation as at December 31, 2023:

	2023	2022
Accrued benefit obligation, beginning of year	\$ 131,278	\$ 131,798
Current service cost	15,408	19,123
Interest on accrued benefit obligation	4,814	3,346
Benefit payments	(44,654)	(22,989)
Actuarial gain	(1,359)	-
	105,487	131,278
Less: Unamortized actuarial loss, net	(17,472)	(14,950)
	\$ 88,015	\$ 116,328

6. Developers Deposits and Other Liabilities

	2023	2022
Property and event damage deposits	\$ 608,789	\$ 1,129,138
Developers deposit	1,358,721	1,911,786
Funds held on behalf of community groups	1,255	1,256
	\$ 1,968,765	\$ 3,042,180

7. Deferred Revenue

	December 31, 2022	Externally Restricted Inflows	Revenue Earned	December 31, 2023
Prepaid taxes	\$ 174,380	\$ 354,099	\$ (326,241)	\$ 202,238
Resort municipality initiative	910,183	1,123,122	(161,857)	1,871,448
Deferred revenue	75,783	88,628	-	164,411
Facility rentals and other	425	2,825	(425)	2,825
	\$ 1,160,771	\$ 1,568,674	\$ (488,523)	\$ 2,240,922



Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

8. Development Cost Charges

	Opening Balance	Receipts	Interest	Revenue Recognized	December 31, 2023
Sewer DCC	\$ 1,877,887	\$ 88,707	\$ 103,223	\$ (103,758)	\$ 1,966,059
Water DCC	1,663,632	71,427	91,223	(65,366)	1,760,916
Drainage DCC	1,070,146	57,253	59,426	-	1,186,825
Parks DCC	616,214	30,533	33,282	(174,500)	505,529
	<u>\$ 5,227,879</u>	<u>\$ 247,920</u>	<u>\$ 287,154</u>	<u>\$ (343,624)</u>	<u>\$ 5,419,329</u>

9. Liabilities Under Agreement

In 2017, the Village entered into a five year agreement with the Municipal Finance Authority to borrow funds in the amount of \$110,000 to purchase capital equipment.

This was fully repaid in 2023. Changes in the liabilities are as follows:

	2023	2022
Balance, beginning of year	\$ 2,362	\$ 23,305
Less: Principal repayments	(2,362)	(20,943)
Balance, end of year	<u>\$ -</u>	<u>\$ 2,362</u>

Total interest expense during the year was \$9. Total interest over the term of the agreements was \$5,863.

10. Long-Term Debt

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

	Opening Balance	Additions	Principal Repayments	Actuarial Adjustment*	December 31, 2023
General Fund MFA Issue 131	\$ 358,100	\$ -	\$ 31,095	\$ 8,467	\$ 318,538

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

Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

10. Long-Term Debt (continued)

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

	General	Water	Sewer
2024	\$ 31,095	\$ -	\$ -
2025	31,095	-	-
2026	31,095	-	-
2027	31,095	-	-
2028	31,095	-	-
Thereafter	163,063	-	-
<b>Total</b>	<b>\$ 318,538</b>	<b>\$ -</b>	<b>\$ -</b>

11. Asset Retirement Obligation

Effective January 1, 2023, the Village adopted the new Public Sector Accounting Handbook Standard, PS 3280 Asset Retirement Obligations. The standard requires the reporting of legal obligations associated with the retirement of tangible capital assets by public sector entities. The standard was adopted on the modified retroactive basis at the date of adoption. Under the modified retroactive method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. The impact of adoption of this standard was as follows:

	2022 (Originally presented)	Restate- ment	2022 (Restated)
Tangible capital assets - cost	\$ 55,029,419	\$ 3,204	\$ 55,032,623
Accumulated amortization - tangible capital assets	16,836,524	2,548	16,839,072
Asset retirement obligation	-	58,594	58,594
Accumulated surplus, beginning of year	47,429,919	(55,553)	47,374,366
Annual surplus	2,235,448	(2,385)	2,233,063
Amortization of tangible capital assets	1,130,016	40	1,130,056
Accretion expense	-	2,346	2,346

The Village's asset retirement obligation consists of the following obligations:

Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

11. Asset Retirement Obligation (continued)

a) Asbestos obligation

The Village owns a building which is known to contain asbestos. Following the adoption of PS 3280 - Asset Retirement Obligations, the Village recognized an obligation relating to the removal and disposal of the asbestos in these buildings as estimated at January 1, 2022 and updated to December 31, 2023. Estimated costs of \$8,000 have been discounted to the present value using a discount rate of 4.17% per annum (2022 - 4.17%).

b) Water wells

The Village operates a water well which will require decommissioning at the end of its useful life. Following the adoption of PS 3280 - Asset Retirement Obligations, the Village recognized an obligation relating to the decommissioning of well as at January 1, 2022. Estimated costs of \$15,000 have been discounted to the present value using a discount rate of 4.17% per annum (2022 - 4.17%).

Changes in the asset retirement obligation in the year are as follows:

	Asbestos Remediation	Well Decommissioning	2023
Opening balance	\$ 48,606	\$ 9,988	\$ 58,594
Accretion expense	2,027	417	2,444
Retirement costs incurred	(43,019)	-	(43,019)
Closing balance	<u>\$ 7,614</u>	<u>\$ 10,405</u>	<u>\$ 18,019</u>
	Asbestos Remediation	Well Decommissioning	2022 (restated)
Opening balance	\$ 46,660	\$ 9,588	\$ 56,248
Accretion expense	1,946	400	2,346
Closing balance	<u>\$ 48,606</u>	<u>\$ 9,988</u>	<u>\$ 58,594</u>

The asset retirement liability has been estimated using a net present value technique using the assumptions as described above. The related asset retirement costs have been added to the cost and are being amortized on a straight-line basis over the remaining useful lives of the assets.

Significant estimates and assumptions are made in determining the asset retirement costs as there are numerous factors that will affect the amount ultimately payable. Those uncertainties may result in future actual expenditures that are different than the amounts currently recorded. At each reporting date, as more information and experience is obtained as it relates to these asset retirement obligations, the estimates of the timing, the undiscounted cash flows and the discount rates may change. Adjustments to these factors are accounted for as an adjustment to the asset retirement obligation and the related tangible capital asset in the current period on a prospective basis.

Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

12.	Tangible Capital Assets	2023	2022
		<u>                    </u>	<u>                    </u>
	Land and improvements	\$10,680,913	\$ 10,680,913
	Buildings	2,636,961	2,770,822
	Machinery, equipment, furniture IT, and vehicles	1,297,902	1,386,005
	Engineering structures:		
	Engineering structures - water	7,641,143	7,520,054
	Engineering structures - sewer and drainage	7,935,888	7,898,676
	Engineering structures - roads	3,959,941	4,248,980
	Engineering structures - parks and other	2,089,239	1,399,110
	Other tangible capital assets	1,485,229	686,955
	Work in progress	658,166	1,602,036
		<u>\$38,385,382</u>	<u>\$ 38,193,551</u>

There were no contributed assets recognized in 2023.

13.	Equity in Tangible Capital Assets	2023	2022
		<u>                    </u>	<u>                    </u>
	Equity in TCA, beginning of year	\$37,776,886	\$ 36,570,929
	Add:		
	Capital expenditures	1,394,155	2,340,530
	Debt repayments	33,554	52,037
	Actuarial adjustments	8,467	7,128
	Less:		
	Net book value of dispositions	-	(8,174)
	Amortization	(1,202,324)	(1,130,056)
	Asset retirement obligation (Note 12)	(2,444)	(55,508)
		<u>\$38,008,294</u>	<u>\$ 37,776,886</u>

Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

14. Accumulated Surplus

The Village segregates its accumulated surplus into the following categories:

	2023	2022
Surplus:	\$38,008,294	\$ 37,776,886
Operating fund	6,514,189	6,040,537
Total surplus	\$44,522,483	\$ 43,817,423
Reserves set aside by council:		
Appropriated surplus:		
Fire department	\$ 30,095	\$ 28,582
Assessment appeal	149,252	141,749
Beach	4,617	4,385
Building	71,112	67,537
Contingencies	13,003	12,350
Dock replacement	74,860	75,634
Boat Launch	80,628	76,575
Flood box / drainage	17,643	16,756
General	1,793,679	1,311,523
Insurance	11,299	10,731
Parking / traffic enforcement	118,174	63,235
Office equipment	19,355	25,557
Property	53,843	51,136
Road / sidewalk	15,298	14,529
Sick leave/ retirement	57,833	54,926
Community works fund	671,138	550,434
Sewer	1,164,168	981,695
Water	1,030,210	941,011
Total appropriated surplus	\$ 5,376,207	\$ 4,428,345
Statutory fund reserves:		
Community amenities	\$ 175,067	\$ 166,267
Fire department capital	106,222	5,487
Growing communities fund	1,208,456	-
Land unexpended funds	55,670	52,871
Parkland acquisition and improvements	407,169	386,701
Public works capital	132,733	91,629
Sewage treatment replacement	528,483	563,036
Sewer unexpended funds	94,770	90,006
Port divestiture income	5,964	5,664
Total statutory fund reserves	\$ 2,714,534	\$ 1,361,661
	\$52,613,224	\$ 49,607,429

Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

15. Property Taxes

The Village is reliant upon one taxpayer for approximately 14% of municipal property tax revenue. Taxation revenue, reported on the statement of operations, is made up of the following:

	Budget	2023	2022
<b>Taxes collected</b>			
Municipal property taxes	\$2,660,469	\$2,660,469	\$ 2,506,424
1% utility taxes	41,987	41,987	38,617
Payments in lieu of taxes	6,400	6,698	6,754
School taxes	1,736,748	1,736,748	1,603,551
Regional district	180,139	180,139	175,283
Regional hospital district	108,770	108,770	103,986
Police tax	225,076	225,076	177,815
Other agencies	44,281	44,281	40,598
	<u>5,003,870</u>	<u>5,004,168</u>	<u>4,653,028</u>
<b>Less: Transfers to other governments</b>			
School taxes paid	1,736,748	1,736,748	1,603,551
Regional district taxes paid	180,139	180,139	175,283
Regional hospital district taxes paid	108,770	108,770	103,986
Police taxes paid	225,076	225,076	177,815
Other agencies taxes paid	44,281	44,281	40,598
	<u>2,295,014</u>	<u>2,295,014</u>	<u>2,101,233</u>
	<u>\$2,708,856</u>	<u>\$2,709,154</u>	<u>\$ 2,551,795</u>

16. Sale of Services

	Budget	2023	2022
Sewer user fees	\$ 721,928	\$ 736,117	\$ 701,443
Water user fees	371,820	377,373	372,071
Curbside collection fees	145,239	150,851	137,924
Pay parking revenue	390,000	377,566	355,813
Licenses and permits	41,072	59,698	60,753
Facility rentals	49,500	43,613	45,825
Fines	4,250	9,010	10,773
Other	4,100	4,095	3,884
	<u>\$1,727,909</u>	<u>\$1,758,323</u>	<u>\$ 1,688,486</u>

Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

17. Utility Service Fees

	Budget	2023	2022
Sewer service utility fee - residential	\$ 216,240	\$ 219,777	\$ 213,092
Sewer service utility fee - business	20,400	19,704	19,763
Water service utility fee - residential	242,760	245,408	237,384
Water service utility fee - business	21,420	21,096	21,214
	<u>\$ 500,820</u>	<u>\$ 505,985</u>	<u>\$ 491,453</u>

18. Government Transfers

	Budget	2023	2022
Provincial:			
Conditional			
Infrastructure	\$ 7,160,306	\$ 1,853,021	\$ 1,459,022
Resort municipality initiative	751,250	161,857	126,748
Other	-	736	552
Unconditional	337,000	325,000	414,000
Federal:			
Conditional			
Infrastructure	1,331,674	-	-
Gas tax	128,254	128,254	122,490
	<u>\$ 9,708,484</u>	<u>\$ 2,468,868</u>	<u>\$ 2,122,812</u>

19. Budget Data

The data presented in these financial statements is based upon the 2023 operating and capital budgets adopted by Council on April 3, 2023. The table below reconciles the approved balanced budget to the budget figures reported in these financial statements.

Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

19. Budget Data (continued)

2023 Adopted Operating and Capital Budget:

	2023
Revenues:	
Operating budget	\$ 5,847,125
Capital budget	14,098,048
Total revenue	19,945,173
Expenses:	
Operating budget	5,847,125
Capital budget	14,098,048
Total expenses	19,945,173
Budgeted surplus (deficit)	-
Add:	
Capital expenses	14,098,048
Transfers to reserves	1,244,794
Principal repayments	31,100
Less:	
Transfers from reserves	(2,177,599)
Appropriation from surplus	(273,175)
Amortization	(1,128,000)
Annual budgeted surplus (see statement of operations)	\$ 11,795,168

20. Classification of Expenses by Object

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

	Budget	2023	2022
Salaries, wages and employee benefits	\$2,146,859	\$2,092,061	\$ 1,834,568
Operating materials and supplies	894,465	852,592	739,269
Contracted services	678,501	641,197	688,224
Administrative services and supplies	693,453	643,402	526,390
Utilities	238,437	224,627	216,570
Rentals and contractual obligations	54,210	53,548	49,852
Debt financing	13,200	13,209	13,411
Amortization	1,128,000	1,202,324	1,130,054
Accretion	-	2,444	2,346
	\$5,847,125	\$5,725,404	\$ 5,200,684



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Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

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21. Commitments and Contingencies

- (a) The municipality and its employees contribute to the Public Service Pension Plan (a jointly trusted pension plan). The Public Service Pension 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 March 31, 2023, the plan has about 71,000 active members and approximately 55,000 retired members. Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability. The Village of Harrison Hot Springs paid \$100,778 (2022 - \$93,193) for employer contributions to the Plan in fiscal 2023. Employee contributions in fiscal 2023 were \$93,200 (2022 - \$86,185). The latest actuarial valuation for the Public Sector Pension Plan as at March 31, 2023, indicated a \$4.491 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2026. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.
- (b) Debts of the Fraser Valley Regional District are, under provisions of the Local Government Act, a direct, joint and several liability of the District and each member municipality within the District, including the Village of Harrison Hot Springs.
- (c) The Village is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange Agreement, the Village is assessed a premium and specific deductible for its claims based on population. The obligation of the Village with respect to the Exchange and/or contracts and obligations entered into by the Exchange are in every case several, not joint and several. The Village irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other subscriber may suffer.

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Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

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21. Commitments and Contingencies (continued)

- (d) The Village has entered into various agreements and contracts for the provision of services and the construction of assets that extend beyond the current year. Substantive obligations include contracts for engineering and planning, garbage and recycling collection, IT services, pay parking, tourist information centre services and auditing services. These contractual obligations will become liabilities in the future when the terms of the contract are met. The following amounts relate to the unperformed portion of the contracts: 2024 - \$1,186,285, 2025 - \$39,500.
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22. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

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23. Segmented Information

The Table of Segmented Information - Schedule 1 has been prepared in accordance with PS2700 Segmented Disclosures. Segmented information has been identified based upon functional activities provided by the Village. For each reported segment, revenue and expenses represent amounts directly attributable to the functional activity and amounts allocated on a reasonable basis.

The functional areas that have been separately disclosed in the segmented information, along with services they provide are as follows:

Legislative Services

Legislative services includes Council and legislative services.

General Government

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

Protective Services

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

Development and Planning

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

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Village of Harrison Hot Springs  
Notes to the Financial Statements

For the year ended December 31, 2023

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23. Segmented Information (continued)

Engineering, Transportation and Storm Water

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

Solid Waste

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

Parks, Recreation and Cultural Services

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

Wastewater Utility

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

Water Utility

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

Village of Harrison Hot Springs  
Schedule 1 - Table of Segmented Information

For the year ended December 31, 2023

	Legislative	General Government	Protective Services	Development Planning	Engineering, Transportation & Storm Water	Solid Waste	Parks, Recreation & Cultural Services	Wastewater Utility	Water Utility	2023 Budget	2023 Actual	2022 Restated (Note 12)
<b>Revenues</b>												
Property Taxes	\$ -	\$2,709,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,708,855	\$2,709,154	\$2,551,795
Sale of Services	-	450,369	-	-	-	150,851	43,613	736,117	377,373	1,727,910	1,758,323	1,688,486
Utility Service Fees	-	-	-	-	-	-	-	239,481	266,504	500,820	505,985	491,453
Government Transfers	-	2,307,011	-	161,857	-	-	-	-	-	9,708,484	2,468,868	2,122,812
Investment Income	-	597,384	-	-	-	-	-	93,230	57,131	70,764	747,745	350,537
Penalties and Interest	-	64,323	-	-	-	2,108	-	8,947	8,116	-	83,494	64,321
Development Cost Charges	-	174,500	-	-	-	-	-	103,758	65,366	2,878,375	343,624	71,952
Other Revenue	-	47,583	-	-	-	28,860	-	4,500	33,063	47,085	114,006	92,391
<b>Total revenue</b>	<b>-</b>	<b>6,350,324</b>	<b>-</b>	<b>161,857</b>	<b>-</b>	<b>181,819</b>	<b>43,613</b>	<b>1,186,033</b>	<b>807,553</b>	<b>17,642,293</b>	<b>8,731,199</b>	<b>7,433,747</b>
<b>Expenses</b>												
Salaries, Wages and Employee Benefits	134,813	847,526	14,127	125,063	226,662	56,569	213,429	283,522	190,350	2,146,859	2,092,061	1,834,568
Operating Materials and Supplies	-	7,214	186,231	2,202	166,443	7,914	78,210	238,674	165,704	894,465	852,592	739,269
Contracted Services	-	137,498	75,300	113,541	77,482	180,488	10,291	46,597	-	678,501	641,197	688,224
Administrative Services and Supplies	27,033	384,826	22,125	111,285	22,697	-	13,902	46,677	14,857	693,453	643,402	526,390
Utilities	5,399	18,060	10,362	-	43,974	-	43,926	65,791	37,115	238,437	224,627	216,570
Rentals and Contractual Obligations	-	13,584	5,840	21,000	8,509	-	4,615	-	-	54,210	53,548	49,852
Debt Financing Amortization	-	13,209	-	-	-	-	-	-	-	13,200	13,209	13,411
Accretion Expense	-	255,189	15,274	-	337,236	-	186,670	215,071	192,884	1,128,000	1,202,324	1,130,054
	-	1,722	-	-	-	-	-	305	417	-	2,444	2,346
<b>Total expenses</b>	<b>167,245</b>	<b>1,678,828</b>	<b>329,259</b>	<b>373,091</b>	<b>883,003</b>	<b>244,971</b>	<b>551,043</b>	<b>896,637</b>	<b>601,327</b>	<b>5,847,125</b>	<b>5,725,404</b>	<b>5,200,684</b>
Excess (deficiency) in revenues over expenses	<b>\$(167,245)</b>	<b>\$4,671,496</b>	<b>\$(329,259)</b>	<b>\$(211,234)</b>	<b>\$(883,003)</b>	<b>\$(63,152)</b>	<b>\$(507,430)</b>	<b>\$289,396</b>	<b>\$206,226</b>	<b>\$1,795,168</b>	<b>\$3,005,795</b>	<b>\$2,233,063</b>

Village of Harrison Hot Springs  
Schedule 2 - Statement of Tangible Capital Assets

For the year ended December 31, 2023

	Land	Building	Equipment Furniture Vehicles	Engineered Structures				Work In Progress	Other Tangible Capital Assets	2023	2022 Restated (Note 12)
				Water	Sewer Drainage	Roads	Other				
Balance, beginning of year	\$ 10,680,913	\$ 4,664,445	\$ 3,038,475	\$ 9,794,992	\$ 11,250,965	\$ 10,259,212	\$ 2,802,230	\$ 1,602,036	\$ 939,355	\$ 55,032,623	\$ 52,734,064
Additions	-	-	72,099	313,973	276,883	-	848,007	(116,807)	-	1,394,155	2,340,530
Disposals & adjustments	-	-	-	-	-	-	-	-	-	-	(41,971)
<b>Cost, end of year</b>	<b>10,680,913</b>	<b>4,664,445</b>	<b>3,110,574</b>	<b>10,108,965</b>	<b>11,527,848</b>	<b>10,259,212</b>	<b>3,650,237</b>	<b>1,485,229</b>	<b>939,355</b>	<b>56,426,778</b>	<b>55,032,623</b>
Accumulated amortization, beginning of year	-	1,892,658	1,652,470	2,274,938	3,353,258	6,010,231	1,403,119	-	252,398	16,839,072	15,743,509
Opening adjustments	-	-	-	-	-	-	-	-	-	-	2,508
Add: Amortization	-	134,826	160,202	192,884	238,702	289,040	157,879	-	28,791	1,202,324	1,130,056
Less: Accumulated Amortization on Disposals	-	-	-	-	-	-	-	-	-	-	(37,001)
<b>Accumulated amortization, end of year</b>	<b>-</b>	<b>2,027,484</b>	<b>1,812,672</b>	<b>2,467,822</b>	<b>3,591,960</b>	<b>6,299,271</b>	<b>1,560,998</b>	<b>-</b>	<b>281,189</b>	<b>18,041,396</b>	<b>16,839,072</b>
<b>Net book value, end of year</b>	<b>\$ 10,680,913</b>	<b>\$ 2,636,961</b>	<b>\$ 1,297,902</b>	<b>\$ 7,641,143</b>	<b>\$ 7,935,888</b>	<b>\$ 3,959,941</b>	<b>\$ 2,089,239</b>	<b>\$ 1,485,229</b>	<b>\$ 658,166</b>	<b>\$ 38,385,382</b>	<b>\$ 38,193,551</b>

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Village of Harrison Hot Springs  
Schedule 3 - Growing Communities Fund (Unaudited)

For the year ended December 31, 2023

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Growing Communities Fund

The Growing Communities Fund (GCF) distributed conditional grants to communities at the end of March 2023 to help build community infrastructure and amenities to meet the demands of unprecedented population growth. The Fund provided a one-time total of \$1 billion in grants to all 188 municipalities and regional districts.

The Village of Harrison Hot Springs received \$1,256,000 from the GCF program in March of 2023.

	<u>2023</u>
Balance, beginning of year	\$ 1,256,000
Eligible costs:	
Sewer system upgrades	103,240
Interest:	<u>(55,696)</u>
Balance, end of year	<u>\$ 1,208,456</u>

The Village of Harrison Hot Springs has two main bridges which exist on McCombs drive which allow crossing of the Miami River. These bridges are known as the Miami River North and Miami River South bridges. After an extensive condition study, it was determined that the abutments of both of these bridges needs to be upgraded. In conjunction with that, the sewer line that goes underneath the bridges will need to be replaced and upgraded as well to new standards. In 2023, the sewer line for the Miami Rive South bridge was fully replaced and improved, in 2024 work will continue to upgrade the abutments on these bridges.