

Financial Statements of

THE VILLAGE OF CHASE

Year ended December 31, 2018

THE VILLAGE OF CHASE

Financial Statements

Year ended December 31, 2018

Financial Statements

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Village of Chase (the "Village") are the responsibility of 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 The Canadian Institute of Chartered Accountants. The significant accounting policies are described in Note 1 to the financial statements. The preparation of 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 Village'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 financial statements. These systems are monitored and evaluated by management.

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

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



Chief Administrative Officer



Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Village of Chase

Opinion

We have audited the financial statements of The Village of Chase (the "Village"), which comprise:

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2018, and its results of operations, its changes in net financial assets and its 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 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.



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.

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

KPMG LLP

Chartered Professional Accountants

Kamloops, Canada
April 23, 2019

THE VILLAGE OF CHASE

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash and short-term investments (note 2)	\$ 2,576,425	\$ 879,197
Accounts receivable:		
Taxes receivable	362,935	368,238
Other	94,677	1,092,683
	<u>3,034,037</u>	<u>2,340,118</u>
Financial liabilities:		
Accounts payable and accrued liabilities	310,152	294,602
Accrued payroll expenses	80,918	111,904
Deferred revenue (note 3)	260,809	287,149
Demand promissory note (note 4)	87,500	175,000
Term debt (note 5)	2,045,513	2,127,730
	<u>2,784,892</u>	<u>2,996,385</u>
Net financial assets (debt)	249,145	(656,267)
Non-financial assets:		
Tangible capital assets (note 7)	33,330,344	34,051,256
Prepaid expenses	14,112	13,433
	<u>33,344,456</u>	<u>34,064,689</u>
Commitments and contingencies (note 12)		
Accumulated surplus (note 8)	<u>\$ 33,593,601</u>	<u>\$ 33,408,422</u>

The accompanying notes are an integral part of these financial statements



Director of Financial Services

THE VILLAGE OF CHASE

Statement of Operations

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

	Budget (note 14)	2018	2017
Revenues:			
Taxation (note 9)	\$ 1,917,316	\$ 1,949,511	\$ 1,689,477
User charges	1,146,952	1,121,290	1,271,574
Government transfers			
Provincial (note 10)	668,613	435,136	1,076,234
Federal (note 10)	-	211,111	491,676
Regional District (note 10)	-	48,000	18,000
Developer contributions	-	-	126,000
Investment income	-	51,426	27,054
Gain on sale of tangible capital assets	-	24,894	5,200
Other income	8,000	-	-
Contributed tangible capital asset (note 7(b))	-	355,430	70,000
Total revenues	3,740,881	4,196,798	4,775,215
Expenses:			
General government	814,063	875,286	675,682
Protective services	314,500	297,155	473,605
Transportation	826,700	735,463	593,100
Parks and recreation	630,833	631,548	633,357
Solid waste	217,200	232,228	224,942
Water utility	665,233	697,081	698,472
Sewer utility	346,083	357,715	343,162
Other	48,150	44,785	51,651
Development services	215,755	140,358	147,334
Total expenses	4,078,517	4,011,619	3,841,305
Annual surplus	(337,636)	185,179	933,910
Accumulated surplus, beginning of year	33,408,422	33,408,422	32,474,512
Accumulated surplus, end of year	\$ 33,070,786	\$ 33,593,601	\$ 33,408,422

The accompanying notes are an integral part of these financial statements

THE VILLAGE OF CHASE

Statement of Changes in Net Financial Assets

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

	Budget (note 14)	2018	2017
Annual surplus	\$ (337,636)	\$ 185,179	\$ 933,910
Acquisition of tangible capital assets	(161,600)	(451,000)	(2,236,216)
Amortization of tangible capital assets	979,200	1,169,815	1,129,533
(Gain) loss on sale of tangible capital assets	-	(24,894)	25,677
Proceeds on sale of tangible capital assets	35,000	26,991	195,200
	514,964	906,091	48,104
Acquisition of prepaid expenses	-	(14,112)	(13,433)
Use of prepaid expenses	-	13,433	36,885
	-	(679)	23,452
Change in net financial assets	514,964	905,412	71,556
Net financial assets (debt), beginning of year	(656,267)	(656,267)	(727,823)
Net financial assets (debt), end of year	\$ (141,303)	\$ 249,145	\$ (656,267)

The accompanying notes are an integral part of these financial statements

THE VILLAGE OF CHASE

Statement of Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 185,179	\$ 933,910
Items not involving cash:		
Amortization of tangible capital assets	1,169,815	1,129,533
Gain (loss) on sale of tangible capital assets	(24,894)	25,677
Contribution of tangible capital asset	(355,430)	(70,000)
Actuarial gain	(22,666)	(11,259)
Change in non-cash operating assets and liabilities:		
Accounts receivable	1,003,309	(721,300)
Accounts payable and accrued liabilities	15,550	(58,258)
Accrued payroll expenses	(30,986)	(43,627)
Deferred revenue	(26,340)	(387,491)
Prepaid expenses	(679)	23,452
Net change in cash from operating activities	1,912,858	820,637
Capital activities:		
Acquisition of tangible capital assets	(95,570)	(2,166,216)
Proceeds on sale of tangible capital assets	26,991	195,200
Net change in cash from capital activities	(68,579)	(1,971,016)
Financing activities:		
Principal payments on obligations under capital lease	-	(6,579)
Principal payments on term debt	(59,551)	(59,551)
Repayment of demand promissory note	(87,500)	(87,500)
Net change in cash from financing activities	(147,051)	(153,630)
Net change in cash and short-term investments	1,697,228	(1,304,009)
Cash and short-term investments, beginning of year	879,197	2,183,206
Cash and short-term investments, end of year	\$ 2,576,425	\$ 879,197
Supplemental cash flow information:		
Cash received from interest	\$ 37,335	\$ 21,366
Cash paid for interest	89,302	89,085

The accompanying notes are an integral part of these financial statements

THE VILLAGE OF CHASE

Notes to Financial Statements

Year ended December 31, 2018

The Village of Chase (the "Village") was incorporated on April 21, 1969 under statute of the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia.

The Village provides municipal services to residents of the incorporated area. These include fire protection, transportation and roads maintenance, solid waste collection and disposal, parks and recreation and maintenance of green spaces, water utility, sewer utility and other general government services.

1. Significant accounting policies:

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

(a) Reporting entity:

(i) Funds of the Village

The financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all funds of the Village, segregated into general, water utility and sewer utility funds.

The Village has not identified any external entities that are owned or whose boards are controlled by the Village and that are accountable to the Village for the administration of their financial affairs and resources; however it is the policy of the Village that any such entities would also form part of the reporting entity.

Inter-departmental and interfund transactions and balances between these funds have been eliminated in the financial statements.

(ii) Accounting for other government organizations and School Board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of other government entities and the School Boards with which the Village interacts are not reflected in these financial statements. Funds collected by the Village on behalf of these other entities and transmitted to them are summarized in note 9. Funds received by the Village as transfers or grants from other government entities are summarized in note 10.

(iii) Trust funds

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

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(b) Basis of accounting:

The Village follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned, can be measured and there is reasonable assurance that they will be collected. 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:

Property taxes, parcel taxes, frontage taxes, special assessments and grants in lieu of taxes are recognized as revenue in the year in which they are assessable. Water and sewer user rates, connection fees, sale of services, interest and penalties are recognized as revenue in the year the related service is provided, and when the amount to be received can be reasonably estimated and collection is reasonably assured.

Government transfers received or receivable are recognized in the financial statements as revenue in the year that the event giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

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

(d) Deferred revenue:

Deferred revenue represents grants, development cost charges ("DCCs"), licenses and other fees which have been collected, but for which the related expenditures or services have yet to be performed or incurred. These amounts will be recognized as revenues in the year the services are performed or expenses incurred.

(e) Government transfers:

Government transfers (other than unconditional grants) are recognized in the financial statements as revenues in the years in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made unless the transfer contains stipulations that create a liability, in which case the transfers are recognized as revenue in the years that the liability is extinguished. Grants in lieu of taxes are recognized at the earlier of when received or when money is determined to be more likely than not collected.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(f) Cash and short-term investments:

Cash and short-term investments include cash and highly liquid investments with a term to maturity of 90 days or less at acquisition and that are readily convertible to cash.

(g) Reserves:

Reserves for operating and capital purposes represent amounts within accumulated surplus reserved either internally or by statute for specific future purposes.

(h) Term debt:

Term debt acquired through the Municipal Finance Authority ("MFA") is recorded net of the related sinking fund balances. Earnings on sinking fund investments are allocated to the Village as an actuarial adjustment, which is recorded as a revenue and reduction in the related debt.

(i) Employee future benefits:

(i) The Village provides certain employee benefits which will require funding in future periods. These benefits include sick leave and banked overtime provided to all its unionized employees. The costs of sick leave and banked overtime arising from past service and expected to be paid out in a future period have been accrued as a liability and have been determined using management's best estimate of salary and utilization rates. Non-vesting sick leave benefit entitlements in excess of these amounts are not accrued, as they are unlikely to be utilized prior to retirement.

(ii) The costs of multi-employer defined contribution pension plan benefits, such as the Provincial Municipal Pension Plan (the "Plan"), are the employer's contributions due to the Plan in the period.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(j) 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 and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life - years
Land improvements	15-50
Buildings and building improvements	15-75
Vehicles, machinery and equipment	3-50
Roads, bridges and drainage	10-80
Water and waste water infrastructure	10-80

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of 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) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Works of art and cultural and historic assets

The Village manages and controls various works of art and non-operational historical cultural assets including paintings and sculptures located at Village sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(v) Interest capitalization

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

(vi) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(k) Use of estimates:

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions based on current conditions and laws 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 revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include assumptions used in estimating provisions for the estimated useful lives of tangible capital assets and in performing actuarial valuations of employee future benefits.

Management reviews these estimates on a periodic basis and, where necessary, makes adjustments prospectively.

(l) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of 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 liability
- iv) Future economic benefits will be given up, and
- v) A reasonable estimate of the liability can be made

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Cash and short-term investments:

Cash and short-term investments reported on the statement of financial position have costs that approximate market value. Short-term investments of \$59,699 (2017 - \$58,730) consist of investments primarily in MFS pooled money market funds with an annual rate of return of approximately 1.65% (2017 - 1.0%).

Restrictions around use of cash and cash equivalents are as follows:

	2018	2017
Restricted:		
Reserves	\$ 872,002	\$ 706,633
Development cost charges	194,503	192,934
MFA debt reserve fund	30,516	29,122
	<hr/> 1,097,021	<hr/> 928,689
Unrestricted	1,479,404	(49,492)
Total	<hr/> \$ 2,576,425	<hr/> \$ 879,197

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Deferred revenue:

Deferred revenue, reported on the statement of financial position, is made up of the following:

	2018	2017
DCC's	\$ 194,503	\$ 192,934
Cash in lieu of parkland	15,421	15,421
Other	50,885	78,794
Total deferred revenue	\$ 260,809	\$ 287,149

Continuity of deferred revenue is as follows:

	2018	2017
Balance, beginning of year:		
DCC's	\$ 192,934	\$ 323,224
Gas tax funding	-	325,617
Cash in lieu of parkland	15,421	15,421
Other	78,794	10,378
	287,149	674,640
Contributions:		
DCC's	1,569	30,616
Gas tax funding	165,369	159,213
Other	-	73,113
	454,087	262,942
Revenues recognized	(193,278)	(650,433)
Balance, end of year	\$ 260,809	\$ 287,149

Gas tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Village and the Union of British Columbia Municipalities. Gas tax funding may be used towards designated public transit, local roads and infrastructure, community energy, water, wastewater, solid waste and capacity building projects, disaster mitigation and culture, tourism, sport and recreation infrastructure as specified in the funding agreements.

Development cost charges ("DCCs") are amounts received from developers to be used by the Village for specific infrastructure upgrades, improvements and projects. The above amounts have been deferred and are to be recognized as revenue in the year the related project expenditures are incurred.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Demand promissory note:

During 2014, the Village obtained a demand promissory note from the MFA. The note matures January 10, 2019 and has a current interest rate of 2.8% per annum.

5. Term debt:

The Village issues debt instruments through the MFA of British Columbia, pursuant to term capital borrowing, loan authorization and security issuing bylaws under authority of Sections 178, 179 and 181 of the Community Charter, to finance certain capital expenditures.

The balance of term debt reported on the statement of financial position is made up of the following:

	2018	2017
MFA debt instrument with a maturity date of April, 2038, bearing interest at a rate of 3.15% per annum	\$ 866,137	\$ 898,034
MFA debt instrument with a maturity date of October 2036, bearing interest at a rate of 3.25% per annum	808,684	840,729
MFA debt instrument with a maturity date of April 2035, bearing interest at a rate of 4.50% per annum	370,692	388,967
Term debt, end of year	\$ 2,045,513	\$ 2,127,730

Total interest on term debt reported in the statement of operations amounted to \$85,600 (2017 - \$85,600).

The term debt issued in the name of the Village has been approved by bylaw. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

5. Term debt (continued):

The total principal payments for the next five years and thereafter are as follows:

2019	\$	76,586
2020		79,650
2021		82,835
2022		86,149
2023		89,595
Thereafter		1,630,698

Scheduled debt repayments may be suspended due to excess sinking fund earnings with MFA.

6. MFA debt reserve:

As a condition of the MFA borrowings made by the Village, and as required by legislation, a debt reserve fund is maintained in the amount of one-half the average annual instalment of principal and interest as set out in the agreements entered into. The reserve is funded in part by cash, being the withholding of 1% of the total issue proceeds, and the remainder being funded by a demand note whereby the Village may be required to loan certain amounts to the MFA. Details of the cash deposits and demand notes on hand at year end are as follows:

	2018	2017
Cash deposits	\$ 30,516	\$ 29,122
Demand notes	47,775	47,775
Debt reserve fund balance	\$ 78,291	\$ 76,897

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Tangible capital assets:

2018	Land	Land improvements	Land	Buildings and building improvements	Vehicles, machinery and equipment	Roads, bridges and drainage	Water infrastructure	Waste water infrastructure	Assets under construction	Total
Cost:										
Balance, beginning of year	\$ 6,979,027	\$ 1,596,463	\$ 15,608,508	\$ 6,005,292	\$ 8,172,424	\$ 4,590,104	\$ 3,949,135	\$ -	\$ 46,900,953	
Additions	48,134	355,430	11,700	35,736	-	-	-	-	451,000	
Disposals	-	-	-	(69,815)	-	-	-	-	(69,815)	
Balance, end of year	7,027,161	1,951,893	15,620,208	5,971,213	8,172,424	4,590,104	3,949,135	-	47,282,138	
Accumulated amortization:										
Balance, beginning of year	-	703,566	2,601,321	2,233,572	3,725,530	1,397,585	2,188,123	-	12,849,697	
Disposals	-	-	-	(67,718)	-	-	-	-	(67,718)	
Amortization expense	-	77,368	465,146	336,058	149,254	63,823	78,166	-	1,169,815	
Balance, end of year	-	780,934	3,066,467	2,501,912	3,874,784	1,461,408	2,266,289	-	13,951,794	
Net book value, end of year	\$ 7,027,161	\$ 1,170,959	\$ 12,553,741	\$ 3,469,301	\$ 4,297,640	\$ 3,128,696	\$ 1,682,846	\$ -	\$ 33,330,344	

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Tangible capital assets (continued):

2017	Land	Land improvements	Land	Buildings and building improvements	Vehicles, machinery and equipment	Roads, bridges and drainage	Water infrastructure	Waste water infrastructure	Assets under construction	Total
Cost:										
Balance, beginning of year	\$ 6,837,262	\$ 1,520,851	\$ 13,417,665	\$ 6,205,046	\$ 8,127,446	\$ 4,526,054	\$ 3,949,135	\$ 487,064	\$ 45,070,523	
Additions	141,765	75,612	2,190,843	248,487	44,978	64,050	-	-	2,765,735	
Disposals	-	-	-	(448,241)	-	-	-	-	(487,064)	(448,241)
Balance, end of year	6,979,027	1,596,463	15,608,508	6,005,292	8,172,424	4,590,104	3,949,135	-	46,900,953	
Accumulated amortization:										
Balance, beginning of year	-	634,399	2,174,266	2,077,011	3,575,250	1,334,189	2,109,958	-	11,905,073	
Disposals	-	-	-	(184,909)	-	-	-	-	(184,909)	
Amortization expense	-	69,167	427,055	341,470	150,280	63,396	78,165	-	1,129,533	
Balance, end of year	-	703,566	2,601,321	2,233,572	3,725,530	1,397,585	2,188,123	-	12,849,697	
Net book value, end of year	\$ 6,979,027	\$ 892,897	\$ 13,007,187	\$ 3,771,720	\$ 4,446,894	\$ 3,192,519	\$ 1,761,012	\$ -	\$ 34,051,256	

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Tangible capital assets (continued):

Included in tangible capital assets are the following assets:

	Water Treatment	Waste Water
Tangible capital assets:		
Cost:		
Balance, beginning of year	\$ 7,858,354	\$ 8,376,057
Balance, end of year	7,858,354	8,376,057
Accumulated amortization:		
Balance, beginning of year	1,251,123	2,951,016
Amortization expense	275,376	212,042
Balance, end of year	1,526,500	3,163,058
Net book value, end of year	\$ 6,331,854	\$ 5,212,999

a) Assets under construction

Assets under construction have not been amortized. Amortization of these assets will commence when the asset is put into service. Where projects have been completed during the year, accumulated costs are reclassified to the appropriate category of asset and included in related additions in the current year.

b) Contributed tangible capital assets

During the year, the Village received a water park as a contributed asset recorded in land improvements. Fair value for the water park at the date of contribution was \$355,430.

c) Write-down of tangible capital assets

No write-down in value of tangible capital assets was considered necessary during the year (2017 - no write down).

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

8. Accumulated surplus:

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

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 31,197,330	\$ 31,748,526
Unrestricted	1,524,269	953,263
Total surplus	32,721,599	32,701,789
Reserves set aside by council for operating purposes:		
Committed reserves	586,871	586,871
Equipment replacement	8,857	8,857
Recreation	75	75
Gas Tax	276,199	110,830
	872,002	706,633
Total accumulated surplus	\$ 33,593,601	\$ 33,408,422

The committed reserve was established by Council at the end of 2012 for the purpose of tracking budgeted amounts which had not been utilized in the current year.

9. Taxation:

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

	2018	2017
Municipal and school property taxes levied	\$ 3,559,241	\$ 3,354,457
Payments-in-lieu of property and business taxes	47,851	8,027
Parcel taxes levied	37,609	38,461
Penalties and interest on property taxes	26,974	31,539
	3,671,675	3,432,484
Less transfers to other governments:		
Thompson-Nicola Regional District ("TNRD")	508,085	493,541
Thompson Regional Hospital District	218,011	211,822
Province of B.C. - school taxes	833,320	796,363
Province of B.C. - police taxes	134,176	124,961
B.C. Assessment Authority	28,480	29,257
Other items	92	87,063
	1,722,164	1,743,007
Net taxation revenue available for municipal purposes	\$ 1,949,511	\$ 1,689,477

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

10. Government transfers:

The Village recognizes the transfer of government funding as revenues or expenses in the period that the events giving rise to the transfer occurred. Government funding sources are primarily Federal, Provincial or a combination of both. The government transfers reported on the statement of operations and accumulated surplus are:

	2018	2017
Provincial grants:		
B.C. Small Communities grant	\$ 410,126	\$ 403,105
Climate Action Review Incentive Plan	25,010	4,584
Smart Communities grant	-	668,545
	<u>435,136</u>	<u>1,076,234</u>
Federal grants:		
Gas tax revenue recognized	165,369	484,830
Federal Gas Tax Strategic Priorities Fund - Clean Water Conservation & Protection Plan	38,501	-
Youth employment grant	7,241	6,846
	<u>211,111</u>	<u>491,676</u>
TNRD:		
Fire response area	15,000	15,000
Cemetery grant	3,000	3,000
Economic development	30,000	-
	<u>48,000</u>	<u>18,000</u>
Total government transfer revenues	<u>\$ 694,247</u>	<u>\$ 1,585,910</u>

11. Trust funds:

The Village operates the Chase Municipal Cemetery and maintains a cemetery perpetual care fund in accordance with the Cemetery and Funeral Services Act. Trust fund assets and related reserve balance have been excluded from the financial statements, as the assets are only held beneficially in trust for unrelated third parties. At December 31, 2018, the Village held \$51,585 (2017 - \$50,678) in trust.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

12. Commitments and contingencies:

- (a) The Village, as a member of the Thompson-Nicola Regional District, is liable for its proportion of any operating deficits or term debt related to functions in which it participates.
- (b) The Village has guaranteed the loan principal and interest payments on a mortgage for the Chase and District Recreation Society (the "Society") to a maximum \$550,000 for the Chase golf course. As at December 31, 2018, the mortgage balance was \$346,991 (2017 - \$395,147). The Village provides annual grants up to \$52,500 and a contract fee for operations in the amount of \$75,000 to assist the Society with general operating costs. In the event the Society was to default on the mortgage payments, the golf course would become the property of the Village.
- (c) This Village and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2017, the Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the 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 costs 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 most recent valuation for the Municipal Pension Plan as of December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Village paid \$78,148 (2017 - \$80,102) for employer contributions, while employees contributed \$66,822 (2017 - \$64,864) to the Plan in fiscal 2018.

The next valuation will be at December 31, 2018, with results available in 2019.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, asset and cost to the individual employers participating in the Plan.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

12. Commitments and contingencies (continued):

- (d) The Village provides benefits for sick leave to all its employees. All employees accumulate sick leave entitlement on a monthly basis and can only use this entitlement for paid time off under certain circumstances. Per the current collective agreement, employees earn sick leave benefits at the rate of 1.5 days for every month of service, which accumulate and roll forward year to year, up to a maximum of 150 days per employee.

The Village has not recorded a liability for this sick leave benefit entitlement as the current entitlement is unlikely to be utilized before retirement. However, at December 31, 2018 the sick leave benefits entitlement accumulated to date totals approximately 2,347 hours (2017 - 2,363) or approximately \$73,390 (2017 - \$76,858).

The Village also provides benefits on retirement. After five years of employment, 20% of the sick pay benefits will be paid out plus an additional 2% for each additional year employed to a maximum of 150 days. The Village has recorded a liability of \$33,244 (2017 - \$33,352) for these benefits due to vested retirement benefits.

- (e) From time to time the Village is brought forth as defendant in various lawsuits. The Village reviews its exposure to any potential litigation for which it would not be covered by insurance and assesses whether a successful claim against would materially affect the financial statements. The Village is currently not aware of any claims brought against it that if not defended successfully would result in a material change to the financial statements of the Village.
- (f) The Village is a participant in the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible the Village, along with the other participants, would be required to contribute towards the deficit.

13. Segmented information:

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

- (i) Taxes

Taxes include all taxation revenues and tax related revenues except parcel taxes which are allocated to the specific functions for which they are collected.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

13. Segmented information (continued):

(ii) General government

General government operations provide the functions of corporate administration, finance, human resources, legislative services, building services and maintenance, and other functions not categorized to a specific department. It includes general revenues and transfers not allocated to specific functions.

(iii) Protective services

Protective services is comprised of the fire and rescue service, bylaw enforcement and animal control, and building inspection services. The mandate of the fire department is to provide fire suppression services; fire prevention programs; training and education related to prevention; and detection or extinguishment of fires. The bylaw and animal control department provides licensing and bylaw enforcement services. The building inspection service provides enforcement of municipal bylaws and the Provincial Building Code and regulations.

(iv) Development services

Development services provides planning assistance to guide developers in complying with the Village zoning bylaws, Official Community Plan, and development procedures for subdividing lands and providing the necessary infrastructure to support those developments.

(v) Transportation

The Village public works department is responsible for the delivery of municipal services related to the planning, development and maintenance of roadway systems, street lighting, and drainage systems.

(vi) Parks, recreation and culture

The Village public works and parks department provides public services related to the maintenance of parks, open spaces, the Community Hall, the Museum and provision of various seasonal recreation programs. Administration provides funding and liaison with Chase and District Recreation Centre Society which administers the arena and golf course.

(vii) Solid waste management

The Village is responsible for environmental programs including solid waste collection and disposal and recycling.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

13. Segmented information (continued):

(viii) Water utility

The Village is responsible for environmental programs including the engineering and operation of the potable water system to obtain, treat and deliver water.

(ix) Waster water utility

The Village is responsible for environmental programs including the engineering and operation of the waste water collection, treatment and disposal.

(x) Other services

The Village provides public services related to the Chase Cemetery, the public wharf and dykes within the community.

Certain allocation methodologies are employed in the preparation of segmented financial information. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development cost charges revenues were allocated to the segment for which the charge was utilized.

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

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

13. Segmented information (continued):

2018	Planning and development services										Total	
	Taxes and general revenues	General government	Planning and development services	Protective services	Transportation	Parks and recreation	Solid waste	Water utility	Sewer utility	Other services		
Revenues:												
Taxation	\$ 1,922,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,922,536
User fees	-	23,067	31,068	32,629	-	32,286	238,794	359,180	391,828	12,438	-	1,121,290
Government transfers	-	663,006	-	21,025	-	7,216	-	-	-	3,000	-	694,247
Investment income	-	37,335	-	-	-	-	-	10,450	3,641	-	-	51,426
Penalties and interest	26,975	-	-	-	-	-	-	-	-	-	-	26,975
Gain on sale of tangible capital assets	-	14,081	-	-	10,813	-	-	-	-	-	-	24,894
Contributed tangible capital assets	-	-	-	-	-	355,430	-	-	-	-	-	355,430
Total revenues	1,949,511	737,489	31,068	53,654	10,813	394,932	238,794	369,630	395,469	15,438	-	4,196,798
Expenses:												
Salaries, wages and employee benefits	-	586,097	-	104,134	264,909	109,165	68,652	57,111	39,536	15,698	-	1,245,302
Operating	-	251,615	80,536	145,508	284,350	237,113	103,938	218,283	84,538	10,921	-	1,416,802
Grants in aid	-	25,630	15,038	-	-	50,000	-	-	-	-	-	90,668
Debt interest charges	-	-	-	-	-	3,432	-	64,000	21,600	-	-	89,032
Amortization	-	11,944	44,784	47,513	186,204	231,838	59,638	357,687	212,041	18,166	-	1,169,815
Total expenses	-	875,286	140,358	297,155	735,463	631,548	232,228	697,081	357,715	44,785	-	4,011,619
Annual surplus (deficit)	\$ 1,949,511	\$ (137,797)	(109,290)	\$ (243,501)	\$ (724,650)	\$ (236,616)	6,566	\$ (327,451)	\$ 37,754	\$ (29,347)	\$	\$ 185,179

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

13. Segmented information (continued):

	Taxes and general revenues	General government	Planning and development services	Protective services	Transportation	Parks and recreation	Solid waste	Water utility	Sewer utility	Other services	Total
2017											
Revenues:											
Taxation	\$ 1,657,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,657,938
User fees	-	42,400	26,605	61,232	-	59,818	236,205	406,995	421,254	17,265	1,271,574
Government transfers	-	407,689	-	15,000	-	6,846	-	-	1,153,375	3,000	1,585,910
Investment income	-	21,366	-	-	-	-	-	4,867	821	-	27,054
Penalties and interest	31,539	-	-	-	-	-	-	-	-	-	31,539
Developer contributions	-	-	-	-	-	-	-	-	126,000	-	126,000
Gain on sale of tangible capital assets	-	5,200	-	-	-	-	-	-	-	-	5,200
Contributed tangible capital assets	-	-	-	-	-	70,000	-	-	-	-	70,000
Total revenues	1,689,477	476,655	26,605	76,232	-	136,464	236,205	411,862	1,701,450	20,265	4,775,215
Expenses:											
Salaries, wages and employee benefits	-	456,078	49,333	150,625	240,237	101,973	77,457	94,290	88,505	20,746	1,279,244
Operating	-	163,984	38,059	186,990	166,515	255,873	87,847	190,454	61,273	18,958	1,169,953
Grants in aid	-	42,300	15,430	-	-	52,500	-	-	-	-	110,230
Debt interest charges	-	-	-	-	88	3,485	-	64,000	21,600	-	89,173
Amortization	-	13,320	44,512	72,818	186,260	219,526	59,638	349,728	171,784	11,947	1,129,533
Other	-	-	-	63,172	-	-	-	-	-	-	63,172
Total expenses	-	675,682	147,334	473,605	593,100	633,357	224,942	698,472	343,162	51,651	3,841,305
Annual surplus (deficit)	\$ 1,689,477	\$ (199,027)	\$ (120,729)	\$ (397,373)	\$ (593,100)	\$ (496,893)	\$ 11,263	\$ (286,610)	\$ 1,358,288	\$ (31,386)	\$ 933,910

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2018

14. Budget data:

The budget data presented in these financial statements is based upon the 2018 operating and capital budgets approved as the 2018 Financial Plan by Council on May 14, 2018. The legislative requirements of the Financial Plan are that the cash inflows for the period must equal planned cash outflows.

Cash inflows and outflows include such items as transfers to and from reserves and surplus and capital expenditures. These items are not recognized as revenues and expenses in the statement of operations and accumulated surplus as they do not meet the public sector accounting standards requirements ("PSAB"). PSAB requires that budget figures be presented on the same basis of accounting as actual and comparative figures.

The following reconciles the budget figures reported in these financial statements to the approved Financial Plan.

	Budget amount
Surplus - Statement of Operations	\$ (337,636)
Adjust for budgeted cash items not included in Statement of Operations:	
Offset for amortization budgeted	979,200
Transfers to and from reserves	(331,814)
Proceeds from sale of tangible capital assets	35,000
Acquisition of tangible capital assets	(161,600)
Principal payments on debt	(183,150)
Total Adjustments	337,636
Financial Plan Balance	\$ -

15. Comparative figures:

Certain 2017 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year. The changes do not affect prior year's surplus.