

1. Audited Financial Statements

The 2018 Audited Financial Statements are included as Appendix A to this Annual Report

2. Statement of Property Tax Exemptions

The Village of New Denver did not provide any permissive tax exemptions in 2018

3. Declaration and Identification of Disqualified Council Members

No Council Members are/have been disqualified

4. Report Respecting Municipal Services and Operations (Prior Year)

Mayor's Message

I am pleased to take this opportunity to provide this update to the citizens of New Denver regarding municipal services and operations in our community.

In 2018, the Village of New Denver saw the completion of several important projects such as the purchase of a new fire engine, the installation of the first electric vehicle charging station in the community as well as new signage commemorating Japanese Canadian history at the pullout in the Orchard.

In the fall of 2018, the residents and taxpayers of New Denver elected a new Mayor and Council. I would like to thank Mayor Bunka, Councillor Fox, Councillor Hodsall, Councillor Reynolds and Councillor von Krogh for their hard work and dedicated service to the community during their time in office, as they have set the stage for many good things to come. Under their leadership, funding was secured for the renovation of the Knox Hall, for upgrades to the Denver Siding water system, and for fibre optic backbone to service the Slocan Valley. An innovative Organics Diversion pilot project was started in partnership with the RDCK, and several new businesses opened their doors.

I am pleased to be working with Councillor Fyke, Councillor Gustafson, Councillor Moss and Councillor Wagner as well as the capable Village staff to support our residents and ensure that New Denver continues to grow, evolve and reach its full potential as a welcoming and thriving community. We're optimistic about the future and we look forward to hearing more great ideas from our residents over the coming year – if you would like to share your thoughts, please get in touch!

Sincerely,

Mayor Leonard Casley

PROGRESS ON 2018 PRIORITIES

| DEPARTMENT | OBJECTIVE | STRATEGIES | MEASURES | STATUS |
|----------------|--|--|--|------------------|
| FINANCE | To improve utilization of existing accounting software to increase efficiency and provide improved information | Consultation with MAIS software company on system capabilities and current setup and operation | Improved efficiency of office financial systems | Planned for 2020 |
| | | Staff review of current financial processes and report on recommended changes in operations | Improved reporting and information for Council | Planned for 2020 |
| | To establish appropriate cost recovery for fee related services | Prepare a financial analysis (costs/revenues) of municipal services that have fees levied | Fees and charges for services are adjusted or confirmed | Planned for 2020 |
| ADMINISTRATION | To ensure municipal bylaws meet community needs | Modernize, update and improve existing bylaws | Council adoption of new/improved bylaws | Ongoing |
| | To ensure that appropriate Council policies are in place and consistent with current regulation and best practices | Review existing Council Policies, identify policy gaps, prepare amended or new policies | Council adoption of new/revised policies | Ongoing |
| | To ensure that an adequate Emergency Plan is in place for the community | Work with RDCK staff to develop required content for New Denver | Updated Emergency Plan obtained from RDCK | Ongoing |
| | Improve organization of records and information | Prepare plan to organize information, purge outdated information and improve ability to retrieve information | Reduction in volume of obsolete paper work and increased ability to find information | Ongoing |

PROGRESS ON 2018 PRIORITIES

| DEPARTMENT | OBJECTIVE | STRATEGIES | MEASURES | STATUS |
|--------------|--|---|---|------------------|
| COUNCIL | Ensure that Council bodies meet current needs | Review the existing structure and operation of the Council Committee system and identify any changes or improvements | Heritage Advisory Commission dissolved, Health Advisory Committee & Sustainability Advisory Committee created | Complete |
| PUBLIC WORKS | Obtain better understanding of the condition of municipal buildings and prepare long term improvement plan | Assess current condition of municipal assets | Report provided to Council for consideration during 5 year financial plan preparation | Ongoing |
| PLANNING | Carry out a review of the 2007 Official Community Plan to determine whether content is still appropriate or whether amendments are desired | Consideration of various strategies and tools to engage the public in a review of the OCP | Council confirmation of current OCP content or adoption of amendments | Planned for 2020 |
| | Expand municipal boundaries to include Denver Siding | Consult with stakeholders regarding boundary expansion | Boundary expansion approved by Province and water systems upgrades and interconnected | Planned for 2019 |
| | | Complete upgrades to Denver Siding Water System | | Planned for 2020 |
| PUBLIC WORKS | Improve organization and storage of inventory and assets | Prepare and implement a plan to dispose of worthless items, separate items that may have resale value, and organize remaining items | Obsolete materials, tools and equipment have been removed leaving more space for organized storage | No progress |

2019 PRIORITIES

| DEPARTMENT | OBJECTIVE | MEASURES/STRATEGIES | ACHIEVEMENTS/OUTCOMES |
|----------------------|---------------------------------------|--|---|
| ADMINISTRATION | RFP Engineering Services | Hire engineering firm to assist with projects | Contract in place for as-needed engineering services |
| | Engage with area First Nations | Arrange meetings with First Nations representatives | Working relationship in place with area First Nations |
| PLANNING | Boundary Expansion | Extend municipal boundaries to include Denver Siding | New letters patent for municipality |
| HUMAN RESOURCES | Fill Senior Staff Positions | Recruit/hire candidates for senior staff positions | Senior Management Team in place |
| | Renew Union contract | Collective bargaining process | Union contract in place for coming years |
| FINANCE | Obtain additional grant funding | Identify and apply for grant funding | Secure grant funding for municipal projects |
| RECREATION & CULTURE | Knox Hall Renovations | Spend grant funding to improve Knox Hall | Renovated hall available for public use |
| | Silvery Slocan Museum Stabilization | Spend grant funding to stabilize Museum | Second floor of museum re-opened to public |
| | Plan for Centennial Park Improvements | Centennial Park concept planning & consultation | Council adoption of Master Plan for Centennial Park |
| PUBLIC WORKS | Preserve 1957 Shack (NIMC) | Replace damaged shingles, wall/ceiling coverings | New exterior shakes and interior wall/ceiling coverings |
| WATER | Improve Orchard water pressure | Identify constriction and repair | Adequate water pressure to meet fire flows in Orchard |
| | Water Master Plan | Create model and master plan for improvements | Council adoption of water system Master Plan |

2020 PRIORITIES

| DEPARTMENT | OBJECTIVE | MEASURES/STRATEGIES | ACHIEVEMENTS/OUTCOMES |
|----------------------|--|---|---|
| PLANNING | Update Official Community Plan | Review and update OCP in consultation with the community | Adoption of updated OCP bylaw |
| HUMAN RESOURCES | Update employment practices | Develop employment contracts and performance monitoring process | Employment contracts in place and scheduled performance reviews for all staff |
| | Optimize benefits coverage | Review benefits coverage options | Benefits plan that meets needs of employees and Village |
| FINANCE | Optimize finance software | Explore available modules/features | Customized financial reports available for staff/Council |
| | Ensure Parcel Tax (specified sewer area) revenues are sufficient to cover expenses | Review rates and costs for specified area | Council adoption of updated Parcel Tax Bylaw |
| RECREATION & CULTURE | Centennial Park improvements | Secure and spend grant funding to improve Centennial Park | New facilities at Centennial Park open to public |
| PUBLIC WORKS | Ensure sustainable management of municipal assets | Complete condition assessments for municipal assets | Council adoption of long term plans for municipal asset maintenance and replacement |
| WATER | Denver Siding water system upgrades | Expend grant funds to upgrade and interconnect water systems | Denver Siding water system connected to Village wells |

Appendix A:
Financial Statements

Consolidated Financial Statements of

THE CORPORATION OF THE VILLAGE OF NEW DENVER

December 31, 2018

THE CORPORATION OF THE VILLAGE OF NEW DENVER
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December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Corporation of the Village of New Denver

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Opinion

We have audited the consolidated financial statements of the Corporation of the Village of New Denver, ("the Village"), which comprise the statement of financial position as at December 31, 2018 and the statements of 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Village of New Denver as at December 31, 2018, and its results of operations, its changes in its 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our 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.

Other Matters

The consolidated financial statements of the Corporation of the Village of New Denver for the year ended December 31, 2017, were audited by Berg Lehmann Chartered Professional Accountants who expressed an unmodified opinion on those statements on March 27, 2018.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 the consolidated 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 consolidated 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 Village's preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (continued)

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.

Nelson, B.C.

Chartered Professional Accountants

March 26, 2019

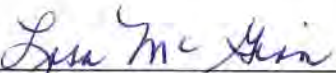
THE CORPORATION OF THE VILLAGE OF NEW DENVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At December 31, 2018

| | 2018 | 2017 |
|--|---------------------|---------------------|
| FINANCIAL ASSETS | | |
| Cash and short-term investments | \$ 818,463 | \$ 1,259,856 |
| Taxes and water user fees receivable | 40,753 | 40,439 |
| Accounts receivable | 148,908 | 126,017 |
| | <u>1,008,124</u> | <u>1,426,312</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 62,105 | 72,806 |
| Deferred revenue - other grants | 91,471 | 10,000 |
| Long-term debt (note 3) | 329,317 | 355,387 |
| | <u>482,893</u> | <u>438,193</u> |
| NET FINANCIAL ASSETS | <u>525,231</u> | <u>988,119</u> |
| NON-FINANCIAL ASSETS | | |
| Prepaid expenses and deposits (note 4) | 138,215 | 258,347 |
| Tangible capital assets (note 2) | 3,951,183 | 3,438,673 |
| | <u>4,089,398</u> | <u>3,697,020</u> |
| ACCUMULATED SURPLUS | <u>\$ 4,614,629</u> | <u>\$ 4,685,139</u> |
| Represented by: | | |
| Operating funds (note 7) | \$(81,467) | \$ 594,835 |
| Reserve funds (note 7) | 1,074,230 | 1,007,018 |
| Equity in capital assets (note 8) | 3,621,866 | 3,083,286 |
| | <u>\$ 4,614,629</u> | <u>\$ 4,685,139</u> |
| CONTINGENT LIABILITIES (note 12) | | |


 Acting Chief Financial Officer

THE CORPORATION OF THE VILLAGE OF NEW DENVER
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2018

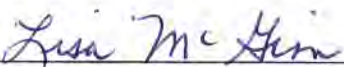
| | 2018 Budget | 2018 Actual | 2017 Actual |
|---|---------------------|---------------------|---------------------|
| REVENUE | | | |
| Taxation and grants-in-lieu | \$ 271,441 | \$ 272,585 | \$ 261,842 |
| Federal Gas Tax grant (note 5) | 77,394 | 77,395 | 74,057 |
| Other Federal government grants | 9,255 | 12,164 | 6,866 |
| Provincial and other grants | 329,013 | 516,027 | 599,207 |
| Fire services contract | 78,685 | 78,686 | 76,916 |
| Sale of services and rentals | 199,670 | 238,147 | 222,952 |
| Water user and connection fees | 138,000 | 148,454 | 149,451 |
| Interest on investments | 1,400 | 14,527 | 16,411 |
| Interest and penalties on taxes | 5,550 | 3,455 | 5,484 |
| Sundry | 3,000 | 7,261 | 5,546 |
| | <u>1,113,408</u> | <u>1,368,701</u> | <u>1,418,732</u> |
| EXPENDITURES (note 9) | | | |
| General government | 342,142 | 323,157 | 330,443 |
| Environment and public health | 47,350 | 72,565 | 57,452 |
| Planning and development | 11,330 | 4,062 | 3,029 |
| Protective services | 76,610 | 321,057 | 285,265 |
| Recreation and cultural services | 203,344 | 250,826 | 329,744 |
| Transportation services | 208,208 | 260,166 | 245,883 |
| Water services | 90,620 | 77,368 | 110,886 |
| Amortization | - | 130,010 | 117,646 |
| | <u>979,604</u> | <u>1,439,211</u> | <u>1,480,348</u> |
| ANNUAL SURPLUS (DEFICIT) (note 13) | 133,804 | (70,510) | (61,616) |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 4,685,139 | 4,685,139 | 4,746,755 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 4,818,943 | \$ 4,614,629 | \$ 4,685,139 |



 Acting Chief Financial Officer

THE CORPORATION OF THE VILLAGE OF NEW DENVER
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2018

| | 2018 | 2017 |
|--|--------------------|--------------------|
| ANNUAL DEFICIT | \$(70,510) | \$(61,616) |
| Acquisition of tangible capital assets | (642,520) | (97,344) |
| Amortization | 130,010 | 117,646 |
| Net change in prepaid expenses | 120,132 | (126,296) |
| DECREASE IN NET FINANCIAL ASSETS | (462,888) | (167,610) |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 988,119 | 1,155,729 |
| NET FINANCIAL ASSETS, END OF YEAR | \$ 525,231 | \$ 988,119 |



 Acting Chief Financial Officer

THE CORPORATION OF THE VILLAGE OF NEW DENVER
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

| | 2018 | 2017 |
|---|-------------------|---------------------|
| OPERATING TRANSACTIONS | | |
| Cash receipts from taxation and grants-in-lieu | \$ 276,637 | \$ 284,099 |
| Cash receipts from grants and own sources | 1,134,739 | 1,096,807 |
| Cash paid to employees and suppliers | (1,184,516) | (1,479,984) |
| Interest and finance fees paid | (15,255) | (15,259) |
| Interest received | 9,886 | 13,414 |
| <hr/> | | |
| Cash Provided By (Applied to) Operating Transactions | 221,491 | (100,923) |
| <hr/> | | |
| CAPITAL TRANSACTIONS | | |
| Purchase of tangible capital assets | (642,520) | (97,344) |
| <hr/> | | |
| FINANCING TRANSACTIONS | | |
| Repayment of long-term debt | (20,364) | (20,364) |
| <hr/> | | |
| DECREASE IN CASH AND SHORT-TERM INVESTMENTS | (441,393) | (218,631) |
| CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR | 1,259,856 | 1,478,487 |
| <hr/> | | |
| CASH AND SHORT-TERM INVESTMENTS, END OF YEAR | \$ 818,463 | \$ 1,259,856 |
| <hr/> | | |



 Acting Chief Financial Officer

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of The Corporation of the Village of New Denver.

Basis of Presentation

It is the Village's policy to follow the Canadian Public Sector accounting standards and to apply such standards consistently. The consolidated financial statements include the accounts of all funds for the Village. All interfund transfers have been eliminated. They have been prepared using guidelines issued by the Public Sector Accounting Board (PSAB) CPA Canada. In addition, financial statements for each fund on a segregated basis have been presented under "Other Financial Information".

Basis of Accounting

The resources and operations of the Village are segregated into various funds for accounting and financial reporting purposes, each being treated as a separate entity with responsibility for the stewardship of the assets allocated to it.

The Village has the following funds:

Operating funds - these funds are used to report operating activities of the Village. The Village has a general operating fund and water operating fund.

Capital funds - these funds are used to record the acquisition and financing of the capital assets. Capital funds have been established for each of general operations and the water utility.

Reserve funds - these funds have been established to hold funds for specific future requirements. The use of these funds is governed by the Community Charter and Municipal resolutions and by-laws.

The consolidated financial statements include the amounts of all the funds of the Village. Inter-fund transactions and balances have been eliminated.

Financial Instruments

The Village's consolidated financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, and long-term debt. It is management's opinion that the Village is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

Revenue Recognition

Revenue is recognized using the accrual method of accounting. Taxes and utility fees are recognized in the fiscal year to which they relate. Service revenues and grants are recognized in the period in which the Village's service delivery obligations are discharged. Government transfers are recognized as revenue in the period that the transfer is authorized, eligibility criteria, if any, has been met by the Village, and a reasonable estimate of the amount to be received can be made.

THE CORPORATION OF THE VILLAGE OF NEW DENVER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible Capital Assets

Tangible capital assets, comprised of capital assets and capital work in progress, are recorded at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put to service. Donated tangible capital assets are reported at fair value at the time of donation. Estimated useful lives by category are as follows:

| | |
|-------------------------|----------------|
| Buildings | 40 - 75 years |
| Building improvements | 15 - 40 years |
| Engineering Structures | 10 - 100 years |
| Machinery and Equipment | 5 - 15 years |
| Roads - Paving | 40 years |
| Water Infrastructure | 10 - 100 years |

Budget Figures

The budget figures are based on the Five-Year Financial Plan for the year 2018, bylaw No. 714, adopted May 14, 2018.

Liability for Contaminated Sites

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 an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met;

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

The liability is recognized at management's estimate of the cost of post remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for the contaminated site. The Village has no liabilities under this standard as at December 31, 2018 and 2017.

Use of Estimates

The preparation of financial statements in accordance with public sector accounting standards, 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 revenues and expenditures during the reporting period. Significant areas requiring estimates include the determination of accruals, provisions for contingencies and the useful lives of assets for amortization. Actual results could differ from management's best estimates as additional information becomes available in the future.

THE CORPORATION OF THE VILLAGE OF NEW DENVER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

2. TANGIBLE CAPITAL ASSETS

| | 2018 | 2017 |
|-----------------------------|---------------------|---------------------|
| General Capital Fund | | |
| Land and improvements | \$ 1,221,201 | \$ 1,221,201 |
| Buildings | 646,865 | 661,733 |
| Engineering structures | 162,532 | 173,622 |
| Machinery and equipment | 768,644 | 213,455 |
| Roads - Paving | 428,584 | 446,009 |
| | <u>3,227,826</u> | <u>2,716,020</u> |
| Water Capital Fund | | |
| Engineering structures | 717,064 | 712,568 |
| Machinery and equipment | 6,293 | 10,085 |
| | <u>723,357</u> | <u>722,653</u> |
| | <u>\$ 3,951,183</u> | <u>\$ 3,438,673</u> |

3. LONG-TERM DEBT

| | Balance, Beginning of Year | Additions | Payment of Principal | Actuarial Adjustment | Balance, End of Year |
|------------------|----------------------------------|-------------|-------------------------|-------------------------|-------------------------|
| MFA - Bylaw #577 | \$ 114,097 | \$ - | \$ 6,654 | \$ 411 | \$ 107,032 |
| MFA - Bylaw #696 | 241,290 | - | 13,710 | 5,295 | 222,285 |
| | <u>\$ 355,387</u> | <u>\$ -</u> | <u>\$ 20,364</u> | <u>\$ 5,706</u> | <u>\$ 329,317</u> |

Interest is paid monthly based on a 5% sinking fund capitalization rate. The requirements for future repayments of principal on existing debt for the next five years are estimated as follows:

| | |
|------|-----------|
| 2019 | \$ 20,364 |
| 2020 | \$ 20,364 |
| 2021 | \$ 20,364 |
| 2022 | \$ 20,364 |
| 2023 | \$ 20,364 |

4. PREPAID EXPENSES AND DEPOSITS

Included in prepaid expenses and deposits are amounts paid by the Village towards the purchase of new capital equipment.

5. FEDERAL GAS TAX GRANT

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. The Village transfers the annual grant received under this agreement into the Community Works Gas Tax Reserve Fund. Council may authorize use of these funds for eligible expenditures.

THE CORPORATION OF THE VILLAGE OF NEW DENVER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

6. MUNICIPAL PENSION PLAN

The 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 overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory 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 government.

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 most recent valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to a rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. The next valuation will be as at December 31, 2018 with results available in 2019.

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

The Village paid \$30,019 (2017 - \$26,130) for employer contributions to the plan in fiscal 2018.

7. FINANCIAL EQUITY

The consolidated financial equity represents all Municipal equity that is not equity in tangible capital assets. The balance is comprised of the following:

| | 2018 | 2017 |
|---|-------------------|---------------------|
| General Operating Fund equity (deficit) | \$(249,015) | \$ 179,627 |
| General Capital Fund | 7,340 | 255,000 |
| Water Operating Fund | <u>160,208</u> | <u>160,208</u> |
| | (81,467) | 594,835 |
| Reserve Funds | <u>1,074,230</u> | <u>1,007,018</u> |
| | <u>\$ 992,763</u> | <u>\$ 1,601,853</u> |

THE CORPORATION OF THE VILLAGE OF NEW DENVER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

8. EQUITY IN TANGIBLE CAPITAL ASSETS

The consolidated equity in tangible capital assets represents total tangible capital assets less the long-term debt issued to acquire the assets. The balance is comprised of the following:

| | 2018 | 2017 |
|----------------------|---------------------|---------------------|
| General Capital Fund | \$ 2,898,509 | \$ 2,360,633 |
| Water Capital Fund | <u>723,357</u> | <u>722,653</u> |
| | <u>\$ 3,621,866</u> | <u>\$ 3,083,286</u> |

9. EXPENDITURES BY OBJECT

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Interest on long-term debt | \$ 15,255 | \$ 15,255 |
| Grants | 7,985 | 5,177 |
| Materials, supplies and other office and maintenance costs | 671,793 | 676,072 |
| Council indemnities | 17,495 | 16,290 |
| Wages and benefits | 596,673 | 649,908 |
| Amortization | <u>130,010</u> | <u>117,646</u> |
| | <u>\$ 1,439,211</u> | <u>\$ 1,480,348</u> |

10. COLLECTION FOR OTHER GOVERNMENTS

The Village collected and remitted the following taxes on behalf of other Governments. These are not included in the Village's financial statements.

| | |
|---|-------------------|
| Provincial Government - School Taxes | \$ 193,519 |
| Provincial Government - Police Tax Levy | 23,624 |
| British Columbia Assessment Authority | 3,418 |
| Regional Hospital | 21,785 |
| Municipal Finance Authority | 15 |
| Regional District of Central Kootenay | <u>80,539</u> |
| | <u>\$ 322,900</u> |

THE CORPORATION OF THE VILLAGE OF NEW DENVER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

11. RESERVE - MUNICIPAL FINANCE AUTHORITY

The Municipal Finance Authority of British Columbia (the Authority) provides capital financing for regional districts and their member municipalities. The Authority is required to establish a Debt Reserve Fund. The Authority 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 Authority to the regional districts.

Upon maturity of a debt issue, the unused portion of the Debt Reserve Fund established for that issue will be discharged to the Municipality. The proceeds from these discharges will be credited to income in the year they are received. As of December 31, the total of the Debt Reserve Fund was comprised of:

| | Demand Notes | Cash Deposits | 2018 | 2017 |
|----------------------|--------------|---------------|------------------|------------------|
| General Capital Fund | \$ 18,586 | \$ 5,650 | <u>\$ 24,236</u> | <u>\$ 24,116</u> |

12. CONTINGENT LIABILITIES

The Village, as a member of the Regional District of Central Kootenay, is jointly and severally liable for the future capital liabilities of the Regional District. The loan agreements with the Municipal Finance Authority provide that if the Authority does not have sufficient funds to meet its payments and obligations, it shall make payments from the debt reserve fund which is in turn established by a similar debt reserve fund of the Village and all other borrowing participants. If the debt reserve fund is deficient, the Authority's obligations become a liability of the Regional District, and may become a liability of the participating municipalities.

In the normal course of the year, the Village may be faced with claims for damages of a diverse nature. The merits and outcome of these claims cannot be reasonably determined at this time and no amounts have been accrued in these financial statements.

13. RECONCILIATION OF BUDGETED ANNUAL DEFICIT TO BUDGET BYLAW

Reconciliation of annual budgeted deficit as presented on the Consolidated Statement of Operations to the Financial Plan Bylaw No 714, 2018.

| | |
|---|----------------|
| Budgeted annual deficit | 133,804 |
| Debt repayment | (25,718) |
| Capital expenditures | (311,761) |
| Transfers from reserve funds | 131,000 |
| Transfers to reserve funds | (129,709) |
| Budgeted transfer to general operating from accumulated surplus | <u>202,384</u> |
| | <u>\$ -</u> |

THE CORPORATION OF THE VILLAGE OF NEW DENVER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2018

14. TRUST FUND

Funds held in trust and administered by the Village are as follows:

| | 2018 | 2017 |
|-------------------------------------|------------------|------------------|
| Assets | | |
| Cash | \$ 9,810 | \$ 9,686 |
| Due from the General Operating Fund | <u>1,719</u> | <u>1,537</u> |
| | <u>\$ 11,529</u> | <u>\$ 11,223</u> |
| Trust Fund Balance | | |
| Cemetery care | <u>\$ 11,529</u> | <u>\$ 11,223</u> |

Trust funds are not included in the Village's financial statements.

THE CORPORATION OF THE VILLAGE OF NEW DENVER
GENERAL OPERATING FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2018

| FINANCIAL ASSETS | 2018 | 2017 |
|---|---------------------|-------------------|
| ASSETS | | |
| Cash | \$ 66,408 | \$ 118,554 |
| Due from Reserve Fund | - | 113,291 |
| Taxes receivable | 13,139 | 17,190 |
| Accounts receivable | 148,908 | 126,017 |
| | <u>228,455</u> | <u>375,052</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 62,105 | 72,806 |
| Deferred revenue - other grants | 91,471 | 10,000 |
| Due to Capital Fund | 7,340 | 8,539 |
| Due to Water Operating Fund | 182,600 | 115,966 |
| Due to Reserve Fund | 272,169 | - |
| | <u>615,685</u> | <u>207,311</u> |
| NET FINANCIAL ASSETS (DEBT) | (387,230) | 167,741 |
| NON-FINANCIAL ASSETS | | |
| Prepaid expenses | 138,215 | 11,886 |
| ACCUMULATED SURPLUS (DEFICIT) | \$(249,015) | \$ 179,627 |
| CHANGES IN ACCUMULATED SURPLUS (DEFICIT) | | |
| Accumulated surplus, beginning of year | \$ 179,627 | \$ 271,378 |
| Annual deficit | (428,642) | (91,751) |
| Accumulated surplus (deficit), end of year | <u>\$(249,015)</u> | <u>\$ 179,627</u> |

THE CORPORATION OF THE VILLAGE OF NEW DENVER
GENERAL CAPITAL FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2018

| | 2018 | 2017 |
|--|--------------|--------------|
| FINANCIAL ASSETS | | |
| Due from General Operating Fund | \$ 7,340 | \$ 8,539 |
| LIABILITIES | | |
| Long-term debt | 329,317 | 355,387 |
| NET DEBT | (321,977) | (346,848) |
| NON-FINANCIAL ASSETS | | |
| Deposits | - | 246,461 |
| TANGIBLE CAPITAL ASSETS | | |
| Land | 1,221,201 | 1,221,201 |
| Buildings | 646,865 | 661,733 |
| Engineering structures | 162,532 | 173,622 |
| Machinery and equipment | 768,644 | 213,455 |
| Roads - paving | 428,584 | 446,009 |
| | 3,227,826 | 2,716,020 |
| EQUITY IN CAPITAL FUND | \$ 2,905,849 | \$ 2,615,633 |
| CHANGE IN EQUITY IN TANGIBLE CAPITAL ASSETS | | |
| Balance, beginning of year | \$ 2,360,633 | \$ 2,332,252 |
| Increase in equity from | | |
| Tangible capital asset additions | 618,962 | 97,344 |
| General Operating Fund - repayment of debt | 20,364 | 20,364 |
| Actuarial adjustment on debt | 5,706 | 4,726 |
| Amortization | (107,156) | (94,053) |
| Balance, end of year | 2,898,509 | 2,360,633 |
| FINANCIAL EQUITY | 7,340 | 255,000 |
| | \$ 2,905,849 | \$ 2,615,633 |

THE CORPORATION OF THE VILLAGE OF NEW DENVER
GENERAL OPERATING FUND
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2018

| | 2018 | 2017 |
|--|---------------------|--------------------|
| REVENUE | | |
| General taxation | \$ 272,585 | \$ 261,842 |
| Penalties and interest on taxes | 3,455 | 5,484 |
| Provincial and other grants | 492,469 | 599,207 |
| Federal Community Works Gas Tax grant | 77,395 | 74,057 |
| Other Federal Government grants | 12,164 | 6,866 |
| Fire services contract | 78,686 | 76,916 |
| Sale of services and rentals | 238,147 | 222,952 |
| Interest on investments | 212 | 274 |
| Sundry | 7,261 | 5,546 |
| | 1,182,374 | 1,253,144 |
| EXPENDITURES | | |
| General governmental services | 323,157 | 330,443 |
| Environmental health services | 54,685 | 51,321 |
| Planning and development | 4,062 | 3,029 |
| Protective services | 321,057 | 285,265 |
| Public health and welfare services | 17,880 | 6,131 |
| Recreation and cultural services | 250,826 | 329,744 |
| Transportation and public works | 260,166 | 245,883 |
| | 1,231,833 | 1,251,816 |
| EXCESS (DEFICIENCY) OF NET OPERATING REVENUES OVER EXPENDITURES | (49,459) | 1,328 |
| Transfer to General Capital Fund for capital expenditures | (618,962) | (97,344) |
| Transfer to General Capital Fund for debt repayment | (20,364) | (20,364) |
| Transfer to Reserve Funds | (118,143) | (117,057) |
| Transfer from Reserve Funds | 130,626 | 141,686 |
| Transfer of deposits from General Capital Fund | 247,660 | - |
| ANNUAL DEFICIT | \$(428,642) | \$(91,751) |

THE CORPORATION OF THE VILLAGE OF NEW DENVER
WATER OPERATING FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2018

| FINANCIAL ASSETS | 2018 | 2017 |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 21,080 | \$ 20,993 |
| Accounts receivable | 27,614 | 23,249 |
| Due from General Operating Fund | <u>182,600</u> | <u>115,966</u> |
| | <u>231,294</u> | <u>160,208</u> |
| LIABILITIES | | |
| Due to Water Works Capital Reserve Fund | <u>71,086</u> | <u>-</u> |
| NET FINANCIAL ASSETS | <u>\$ 160,208</u> | <u>\$ 160,208</u> |
| CHANGES IN ACCUMULATED SURPLUS | | |
| Accumulated surplus, beginning of year | \$ 160,208 | \$ 121,643 |
| Annual surplus | <u>-</u> | <u>38,565</u> |
| Accumulated surplus, end of year | <u>\$ 160,208</u> | <u>\$ 160,208</u> |

THE CORPORATION OF THE VILLAGE OF NEW DENVER
WATER CAPITAL FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2018

| | 2018 | 2017 |
|--|-------------------|-------------------|
| TANGIBLE CAPITAL ASSETS | \$ 723,357 | \$ 722,653 |
| EQUITY IN CAPITAL ASSETS | | |
| Balance, beginning of year | \$ 722,653 | \$ 746,246 |
| Water capital fund - Tangible capital asset expenditures | 23,558 | - |
| Amortization | (22,854) | (23,593) |
| Balance, end of year | \$ 723,357 | \$ 722,653 |

THE CORPORATION OF THE VILLAGE OF NEW DENVER
WATER OPERATING FUND
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2018

| | 2018 | 2017 |
|---|----------------|------------------|
| REVENUE | | |
| Water connections and user fees | \$ 148,454 | \$ 149,451 |
| Provincial grants | 23,558 | - |
| | <u>172,012</u> | <u>149,451</u> |
| EXPENDITURES | | |
| Administration and other fiscal services | 25,886 | 25,130 |
| Maintenance and operations | 40,483 | 64,207 |
| Pumping | 10,999 | 21,549 |
| | <u>77,368</u> | <u>110,886</u> |
| EXCESS OF NET OPERATING REVENUES OVER EXPENDITURES | 94,644 | 38,565 |
| Transfer to Water Capital Reserve Fund | (71,086) | - |
| Transfer to Water Capital Fund for capital expenditures | (23,558) | - |
| ANNUAL SURPLUS | \$ - | \$ 38,565 |

THE CORPORATION OF THE VILLAGE OF NEW DENVER
RESERVE FUNDS
STATEMENT OF FINANCIAL POSITION
As At December 31, 2018

| | 2018 | 2017 |
|-------------------------------|---------------------|---------------------|
| FINANCIAL ASSETS | | |
| Cash | \$ 730,975 | \$ 1,120,309 |
| Due to General Operating Fund | 272,169 | (113,291) |
| Due from Water Operating Fund | 71,086 | - |
| NET FINANCIAL ASSETS | \$ 1,074,230 | \$ 1,007,018 |
| FUND POSITION | | |
| General Capital Reserve Funds | \$ 786,804 | \$ 791,834 |
| Water Capital Reserve Fund | 287,426 | 215,184 |
| | \$ 1,074,230 | \$ 1,007,018 |

THE CORPORATION OF THE VILLAGE OF NEW DENVER

RESERVE FUND

STATEMENT OF TRANSACTIONS

For the Year Ended December 31, 2018

| | Balance, Beginning of Year | Transfers From Other Funds | Transfers to Other Funds | Interest Earned | Balance, End of Year |
|--|----------------------------------|-------------------------------------|-----------------------------------|--------------------|----------------------------|
| Capital Works Machinery and Equipment | \$ 136,410 | \$ 1,514 | \$ - | \$ 893 | \$ 138,817 |
| Community Works Gas Tax | 393,141 | 77,395 | (120,000) | 4,422 | 354,958 |
| Fire Department | 175,093 | 39,234 | (10,626) | 1,438 | 205,139 |
| Heritage Preservation and Maintenance and Restoration | 87,190 | - | - | 700 | 87,890 |
| Water Utility Capital Works | 215,184 | 71,086 | - | 1,156 | 287,426 |
| | <u>\$ 1,007,018</u> | <u>\$ 189,229</u> | <u>\$(130,626)</u> | <u>\$ 8,609</u> | <u>\$ 1,074,230</u> |