

THE CORPORATION OF THE VILLAGE OF SALMO
FINANCIAL STATEMENTS
DECEMBER 31, 2017

THE CORPORATION OF THE VILLAGE OF SALMO
INDEX TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

Management Report

Independent Auditors' Report

Financial Statements

Statement of Financial Position

Statement of Operations and Accumulated Surplus

Statement of Changes in Financial Assets (Debt)

Statement of Cash Flows

Notes to the Financial Statements

Schedule A - Schedule of Tangible Capital Assets

Schedule B - Schedule of Segmented Information

THE CORPORATION OF THE VILLAGE OF SALMO

MANAGEMENT REPORT

For the Year Ended December 31, 2017

RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying financial statements. The financial statements have been prepared in accordance with the accounting principles disclosed in Note 1 to the financial statements and include amounts that are based on estimates and judgments. Management believes that the financial statements fairly present The Corporation of the Village of Salmo's financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgments relating to matters not concluded by fiscal year-end, is the responsibility of management. The financial statements have been approved by Council.

Management has established and maintained appropriate systems of internal control including policies and procedures, which are designed to provide reasonable assurance that The Corporation of the Village of Salmo's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of the financial statements.

The independent external auditors, Grant Thornton LLP, Chartered Professional Accountants, have been appointed by Council to express an opinion as to whether the financial statements present fairly, in all material respects, The Corporation of the Village of Salmo's financial position, results of operations, and changes in financial position in conformity with the accounting principles disclosed in Note 1 to the financial statements. The report of Grant Thornton LLP, Chartered Professional Accountants, follows and outlines the scope of their examination and their opinion on the financial statements.



Colin McClure, CPA, CA
Chief Financial Officer

INDEPENDENT AUDITORS' REPORTT +1 250 368 6445
F +1 250 368 8488
www.GrantThornton.ca**To the Mayor and Council of the Village of Salmo:**

We have audited the accompanying financial statements of the Corporation of the Village of Salmo, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessing the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation of the Village of Salmo as at December 31, 2017 and the results of its operations, changes in net financial assets (debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.


*Grant Thornton LLP***CHARTERED PROFESSIONAL ACCOUNTANTS****TRAIL, B.C.
May 7, 2018**

THE CORPORATION OF THE VILLAGE OF SALMO
STATEMENT OF FINANCIAL POSITION
As at December 31, 2017

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Financial Assets | | |
| Cash and cash equivalents (Note 2) | \$ 1,804,547 | \$ 1,164,733 |
| Accounts receivable (Note 3) | 204,000 | 221,922 |
| MFA deposits (Note 4) | <u>17,879</u> | <u>20,654</u> |
| | <u>2,026,426</u> | <u>1,407,309</u> |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 117,877 | 125,791 |
| Deferred revenue (Note 6) | 531,778 | 66,597 |
| Accrued future payroll benefits (Note 7) | 20,280 | 16,452 |
| Debt (Note 8) | <u>929,505</u> | <u>1,025,253</u> |
| | <u>1,599,440</u> | <u>1,234,093</u> |
| Net Financial Assets (Debt) | 426,986 | 173,216 |
| Non-Financial Assets | | |
| Tangible capital assets (Note 9) | 6,846,133 | 6,886,974 |
| Inventory | 12,886 | 2,603 |
| Other assets (Note 10) | 11,755 | 9,267 |
| Prepaid expenses | <u>35,648</u> | <u>13,092</u> |
| | <u>6,906,422</u> | <u>6,911,936</u> |
| Accumulated Surplus (Note 11) | <u>\$ 7,333,408</u> | <u>\$ 7,085,152</u> |

Trust Funds (Note 12)
Commitments and Contingencies (Note 15)


Stephen White
Mayor


Colin McClure, CPA, CA
Chief Financial Officer

THE CORPORATION OF THE VILLAGE OF SALMO
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2017

| | <u>2017 Budget</u> (Note 16) | <u>2017</u> | <u>2016</u> |
|---|---------------------------------|---------------------|---------------------|
| Revenue | | | |
| Taxes | \$ 402,135 | \$ 406,290 | \$ 491,739 |
| Sale of services | 80,600 | 82,557 | 75,153 |
| Other revenue from own sources | 125,431 | 142,021 | 102,986 |
| Investment income | 7,600 | 56,725 | 41,332 |
| Grants - unconditional | 415,000 | 415,702 | 405,880 |
| Grants - conditional | 2,097,693 | 416,972 | 416,854 |
| Water user fees | 199,410 | 195,219 | 121,971 |
| Sewer user fees | 220,365 | 217,899 | 187,781 |
| Donated capital assets | - | - | 61,480 |
| Gain on disposal of tangible capital assets | - | - | 6,617 |
| | <u>3,548,234</u> | <u>1,933,385</u> | <u>1,911,793</u> |
| Expenses | | | |
| General government | 429,767 | 459,975 | 537,962 |
| Protective services | 96,925 | 82,323 | 84,166 |
| Transportation services | 243,900 | 257,073 | 256,293 |
| Environmental health services | 88,682 | 89,464 | 91,554 |
| Public health and welfare services | 9,200 | 7,049 | 14,312 |
| Parks, recreation and cultural services | 41,350 | 62,691 | 76,764 |
| Interest and other debt charges | 64,502 | 59,299 | 64,575 |
| Water utility operations | 133,041 | 206,481 | 126,653 |
| Sewer utility operations | 203,603 | 169,331 | 221,760 |
| Amortization | 290,752 | 291,443 | 284,949 |
| | <u>1,601,722</u> | <u>1,685,129</u> | <u>1,758,988</u> |
| Annual surplus | 1,946,512 | 248,256 | 152,805 |
| Accumulated surplus, beginning of the year | <u>7,085,152</u> | <u>7,085,152</u> | <u>6,932,347</u> |
| Accumulated surplus, end of the year | <u>\$ 9,031,664</u> | <u>\$ 7,333,408</u> | <u>\$ 7,085,152</u> |

THE CORPORATION OF THE VILLAGE OF SALMO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

For the Year Ended December 31, 2017

| | <u>2017 Budget</u> | <u>2017</u> | <u>2016</u> |
|---|----------------------------|--------------------------|--------------------------|
| Annual surplus | \$ 1,946,512 | \$ 248,256 | \$ 152,805 |
| Acquisition of tangible capital assets | (2,696,000) | (250,602) | (239,886) |
| Amortization of capital assets | 290,752 | 291,443 | 284,949 |
| Proceeds on sale of tangible capital assets | - | - | 6,617 |
| Gain disposal of tangible capital assets | - | - | (6,617) |
| | <u>(458,736)</u> | <u>289,097</u> | <u>197,868</u> |
| Consumption of prepaid expenses | - | (22,556) | 2,055 |
| Acquisition of supply inventory | - | (10,283) | (2,603) |
| Acquisition of other assets | - | (2,488) | (1,689) |
| | <u>-</u> | <u>(35,327)</u> | <u>(2,237)</u> |
| Increase (decrease) in net financial assets | (458,736) | 253,770 | 195,631 |
| Net financial assets (debt), beginning of year | <u>173,216</u> | <u>173,216</u> | <u>(22,415)</u> |
| Net financial assets (debt), end of the year | \$ <u>(285,520)</u> | \$ <u>426,986</u> | \$ <u>173,216</u> |

THE CORPORATION OF THE VILLAGE OF SALMO

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Cash Provided by (Used In) | | |
| Operating Activities | | |
| Annual surplus | \$ 248,256 | \$ 152,805 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 291,443 | 284,949 |
| Actuarial adjustments | (23,730) | (20,806) |
| Gain on disposal of tangible capital assets | <u>-</u> | <u>(6,617)</u> |
| | 515,969 | 410,331 |
| Increase (decrease) in non-cash operating items: | | |
| Accounts receivable | 17,922 | (40,977) |
| MFA deposits | 2,775 | (562) |
| Accounts payable and accrued liabilities | (7,914) | (25,472) |
| Deferred revenue | 465,181 | (4,334) |
| Accrued future payroll benefits | 3,828 | (5,199) |
| Inventory | (10,283) | (2,603) |
| Other assets | (2,488) | (1,689) |
| Prepaid expenses | <u>(22,556)</u> | <u>2,055</u> |
| | 962,434 | 331,550 |
| Financing Activities | | |
| Debt repayment | <u>(72,018)</u> | <u>(71,826)</u> |
| Capital Activities | | |
| Proceeds from disposal of tangible capital assets | - | 6,617 |
| Acquisition of tangible capital assets | <u>(250,602)</u> | <u>(239,886)</u> |
| | (250,602) | (233,269) |
| Net increase in cash and cash equivalents | 639,814 | 26,455 |
| Cash and cash equivalents, beginning of year | <u>1,164,733</u> | <u>1,138,278</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,804,547</u> | <u>\$ 1,164,733</u> |

THE CORPORATION OF THE VILLAGE OF SALMO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

1. Significant Accounting Policies

The Corporation of the Village of Salmo (the "Village") is a local government in the Province of British Columbia. The financial statements have been prepared in accordance with Canadian public sector accounting standards.

The following is a summary of the Village's significant accounting policies:

(a) Basis of Presentation

The Village's resources and operations are segregated into General, Water and Sewer funds and Statutory and Non-statutory reserve funds and Reserves for future capital expenditures for accounting and financial reporting purposes. These financial statements include the accounts of all the funds of the Village. Inter-fund transactions and balances have been eliminated.

(b) Revenue Recognition

Sources of revenue are recorded on the accrual basis and include revenue in the period in which the transactions or events occurred that give rise to the revenues. Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year. Sale of services and user fee revenues are recognized when the service or product is rendered by the Village.

Grant revenues are recognized when the funding becomes receivable. Revenue unearned in the current period is recorded as deferred revenue.

(c) Deferred Revenue

Deferred revenue represents funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes as well as licenses, permits, other fees and grants which have been collected, but for which the related services have not been performed and or projects have not been constructed. These amounts will be recognized as revenues in the fiscal year in which it is used for the specified purpose, the services are performed and or the projects are constructed.

(d) Government Transfers

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates can be made.

(e) Financial Instruments

The Village's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued future payroll benefits and 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.

(f) Accrued Future Payroll Benefits

The Village records the cost of future payroll benefits over the employee's term of employment.

(g) Interest and Actuarial Gains on Long Term Debt

The Village records interest expense on long-term debt on an accrual basis and actuarial gains when realized as a reduction of the principal balance.

THE CORPORATION OF THE VILLAGE OF SALMO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

1. Significant Accounting Policies (continued)

(h) Tangible Capital Assets

Tangible capital assets, comprised of capital assets and capital assets under construction, are recorded at cost 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 in to service. Donated tangible capital assets are reported at fair value at the time of donation. Estimated useful lives are as follows:

| | |
|---|----------------|
| Land Improvements | 15 to 20 years |
| Buildings | 40 years |
| Fixtures, Furniture, Equipment and Vehicles | 6 to 10 years |
| Roads and Paving | 20 to 40 years |
| Bridges and Other Transportation Structures | 40 to 50 years |
| Water Infrastructure | 20 to 60 years |
| Sewer Infrastructure | 20 to 60 years |

(i) 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.

(j) Statutory Reserves

Statutory reserves are funds that have been restricted by council. Formal establishing bylaws have been adopted pursuant to the Community Charter, which define how these reserves are to be used.

(k) Use of Estimates

The preparation of the financial statements in accordance with with Canadian 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 revenues and expenses during the reporting period. Significant areas requiring estimates include the useful lives of tangible capital assets for amortization, future employee benefits, allowance for doubtful accounts and provision for contingencies. Actual results could differ from management's best estimates as additional information becomes available in the future.

(l) Budget

Budget data presented in these financial statements is based on the Village's Five Year Financial Plan for the years 2017-2021, adopted by Council on May 9, 2017.

THE CORPORATION OF THE VILLAGE OF SALMO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

2. Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position are comprised of:

| | <u>2017</u> | <u>2016</u> |
|---------------------------------|---------------------|---------------------|
| Cash | \$ 1,671,924 | \$ 1,033,389 |
| MFA bond and money market funds | <u>132,623</u> | <u>131,344</u> |
| | <u>\$ 1,804,547</u> | <u>\$ 1,164,733</u> |

Municipal Finance Authority (MFA) pooled investment funds are considered equivalent to cash because of their liquidity.

3. Accounts Receivable

| | <u>2017</u> | <u>2016</u> |
|-----------------------------|-------------------|-------------------|
| Property taxes | \$ 99,121 | \$ 103,456 |
| Utility billings | 48,006 | 34,108 |
| Other governments | 43,093 | 69,890 |
| Trade and other receivables | <u>13,780</u> | <u>14,468</u> |
| | <u>\$ 204,000</u> | <u>\$ 221,922</u> |

4. Municipal Finance Authority Debt Reserve Fund

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

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

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 at December 31, 2017, the total of the Debt Reserve Fund was comprised of:

| | <u>2017</u> | <u>2017</u> | <u>2017</u> | <u>2016</u> |
|---------------|---------------------|--------------------|------------------|------------------|
| | <u>Cash Deposit</u> | <u>Demand Note</u> | <u>Total</u> | <u>Total</u> |
| General fund | \$ 13,211 | \$ 22,711 | \$ 35,922 | \$ 35,669 |
| Water utility | <u>4,668</u> | <u>7,100</u> | <u>11,768</u> | <u>27,001</u> |
| | <u>\$ 17,879</u> | <u>\$ 29,811</u> | <u>\$ 47,690</u> | <u>\$ 62,670</u> |

THE CORPORATION OF THE VILLAGE OF SALMO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

5. Accounts Payable and Accrued Liabilities

| | <u>2017</u> | <u>2016</u> |
|----------------------------|-------------------|-------------------|
| Trades payable | \$ 95,400 | \$ 103,983 |
| Accrued wages and benefits | <u>22,477</u> | <u>21,808</u> |
| | <u>\$ 117,877</u> | <u>\$ 125,791</u> |

6. Deferred Revenue

| | <u>2017</u> | <u>2016</u> |
|-------------------------|-------------------|------------------|
| Taxes and utility rates | \$ 3,530 | \$ 3,619 |
| Grants and other | <u>528,248</u> | <u>62,978</u> |
| | <u>\$ 531,778</u> | <u>\$ 66,597</u> |

7. Accrued Future Payroll Benefits

| | <u>2017</u> | <u>2016</u> |
|-----------------|------------------|------------------|
| Holiday Pay | \$ 17,984 | \$ 13,523 |
| Banked Overtime | <u>2,296</u> | <u>2,929</u> |
| | <u>\$ 20,280</u> | <u>\$ 16,452</u> |

The Village accrues holiday pay and banked overtime as they are earned by the employee, however, it is expected that these substantially funded liabilities will be met on a continuous basis over the long-term. Payment of these amounts will be funded from revenues of the period in which they are settled.

THE CORPORATION OF THE VILLAGE OF SALMO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

8. Debt

| Debt Bylaw # | Purpose of Bylaw | Interest rate % | Year of Maturity | Original Issue | 2017 Balance | 2016 Balance |
|--------------------------|--------------------------|--------------------|---------------------|-------------------|-------------------|---------------------|
| General Purposes: | | | | | | |
| 523 | Fast attack rescue truck | 2.25% | 2020 | \$ 119,840 | \$ 73,084 | \$ 96,558 |
| 549 | Wellness centre | 4.13% | 2039 | 885,000 | 739,603 | 760,368 |
| 610 | Public works shop | 4.20% | 2026 | 150,000 | 100,311 | 109,425 |
| | | | | <u>1,154,840</u> | <u>912,998</u> | <u>966,351</u> |
| Water Purposes: | | | | | | |
| 446 | Water infrastructure | 5.55% | 2018 | 216,000 | 16,507 | 32,228 |
| 560 | Waterworks upgrade | 4.52% | 2017 | 225,000 | - | 26,674 |
| | | | | <u>441,000</u> | <u>16,507</u> | <u>58,902</u> |
| Total Debt | | | | | \$ <u>929,505</u> | \$ <u>1,025,253</u> |

Principal payments and expected actuarial additions for the next 5 years and thereafter are as follows:

| | General | Water | Total |
|------------|-------------------|------------------|-------------------|
| 2018 | \$ 54,425 | \$ 16,507 | \$ 70,932 |
| 2019 | 55,668 | - | 55,668 |
| 2020 | 56,961 | - | 56,961 |
| 2021 | 34,954 | - | 34,954 |
| 2022 | 36,352 | - | 36,352 |
| Thereafter | <u>674,638</u> | <u>-</u> | <u>674,638</u> |
| | <u>\$ 912,998</u> | <u>\$ 16,507</u> | <u>\$ 929,505</u> |

9. Tangible Capital Assets

| | Cost | Accumulated Amortization | 2017 Net Book Value | 2016 Net Book Value |
|---------------------------------|----------------------|-----------------------------|------------------------|------------------------|
| Land | \$ 1,256,899 | \$ - | \$ 1,256,899 | \$ 1,256,899 |
| Buildings | 2,535,875 | 863,622 | 1,672,253 | 1,694,274 |
| Vehicles, equipment & furniture | 2,127,191 | 1,304,163 | 823,028 | 909,385 |
| Transportation infrastructure | 2,852,596 | 1,484,057 | 1,368,539 | 1,318,302 |
| Water infrastructure | 2,077,377 | 730,170 | 1,347,207 | 1,378,036 |
| Sewer infrastructure | <u>1,521,800</u> | <u>1,143,593</u> | <u>378,207</u> | <u>330,078</u> |
| | <u>\$ 12,371,738</u> | <u>\$ 5,525,605</u> | <u>\$ 6,846,133</u> | <u>\$ 6,886,974</u> |

See Schedule A - Schedule of tangible capital assets for more information.

10. Other Assets

| | 2017 | 2016 |
|-----------------------------|------------------|-----------------|
| Property acquired for taxes | \$ <u>11,755</u> | \$ <u>9,267</u> |

THE CORPORATION OF THE VILLAGE OF SALMO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

11. Accumulated Surplus

| | 2017 | 2016 |
|------------------------------------|---------------------|---------------------|
| Reserves | | |
| Ambulance service | \$ 11,460 | \$ 11,261 |
| Community works fund | 554,622 | 554,241 |
| Curling rink | 19,223 | 16,563 |
| Employee sick leave | 10,000 | 10,000 |
| Fire department equipment | 32,622 | 27,491 |
| Jaws of life | 145,863 | 120,859 |
| Machinery & equipment | 125,538 | 89,326 |
| Sewer infrastructure | 102,458 | 65,577 |
| Water infrastructure | 287,726 | 286,434 |
| Wellness centre | 84,157 | 73,419 |
| | <u>1,373,669</u> | <u>1,255,171</u> |
| Operating surplus (deficit) | 43,111 | (31,741) |
| Invested in capital assets | <u>5,916,628</u> | <u>5,861,722</u> |
| Total Accumulated Surplus | <u>\$ 7,333,408</u> | <u>\$ 7,085,152</u> |

12. Trust Funds

The Cemetery Care Trust Fund is not reported in these financial statements. The following is a summary of Trust Fund transactions for the year:

| | 2017 | 2016 |
|-----------------------------|------------------|------------------|
| Balances, beginning of year | \$ 21,081 | \$ 20,513 |
| Contributions received | 590 | 215 |
| Interest earned | 359 | 353 |
| Balances, end of year | <u>\$ 22,030</u> | <u>\$ 21,081</u> |

13. Taxes Levied For Other Paid Authorities

In addition to taxes levied for municipal purposes, the Village is legally obligated to collect and remit taxes levied for the following authorities. These collections and remittances are not recorded as revenue and expenses.

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Provincial Government - School taxes | \$ 266,882 | \$ 280,788 |
| Provincial Government - Police taxes | 45,392 | 46,537 |
| Regional District of Central Kootenay | 219,498 | 212,381 |
| Central Kootenay Hospital District | - | (110) |
| West Kootenay Boundary Hospital District | 32,900 | 33,153 |
| British Columbia Assessment Authority | 5,903 | 6,871 |
| Municipal Finance Authority | 23 | 22 |
| | <u>\$ 570,598</u> | <u>\$ 579,642</u> |

THE CORPORATION OF THE VILLAGE OF SALMO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

14. Pension Plan

The Village of Salmo and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

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

The most recent valuation of the Municipal Pension Plan 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 the 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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The Village of Salmo paid \$34,386 (2016 - \$30,465) for employer contributions to the plan in fiscal 2017.

15. Commitments and Contingencies

Regional District Debt

Regional District debt is under the provisions of the Community Charter of BC a direct, joint and several liability of the District and each member municipality within the District including the Village of Salmo.

Claims for Damages

In the normal course of a year the Village is faced with lawsuits and claims for damages of a diverse nature. The outcome of these claims cannot be reasonably determined at this time.

THE CORPORATION OF THE VILLAGE OF SALMO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

15. Commitments and Contingencies (continued)

Reciprocal Insurance Exchange Agreement

The Village is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by Section 3.02 of the Insurance Act of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange agreement, the Municipality is assessed a premium and specific deductible based on population and claims experience. The obligation of the Municipality with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several and not joint and several. The Village irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other Subscriber may suffer.

16. Budget Data

The reconciliation of the approved budget for the current year to the budget figures reported in these financial statement is as follows:

| | <u>2017</u> |
|--|----------------|
| Budget surplus per Statement of Operations | \$ 1,946,512 |
| Less: Capital expenditures | 2,696,000 |
| Debt principal repayments | 72,256 |
| Budgeted transfers to surplus and reserves | 132,783 |
| Add: Budgeted transfers from reserves | 195,050 |
| Amortization | 290,752 |
| Debt proceeds | <u>468,725</u> |
| Net annual budget | \$ <u>-</u> |

17. Current and Future Accounting Changes:

PS 2200 Related Party Transactions

This section establishes the definition of a related party, the criteria for identifying related parties of the Village, the circumstances in which disclosures of the transaction with the related party would be required, and the required content of those disclosures, if necessary. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

18. Comparative Figures

Certain comparative figures from the prior year have been reclassified to conform with the presentation format adopted for the current year.

THE CORPORATION OF THE VILLAGE OF SALMO

SCHEDULE A - SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2017

| | Additions | | Closing Balance | Accumulated Amortization | | Reduction on Disposals | Accumulated Amortization | | Net Carrying Amount |
|---------------------------------|----------------------|---|----------------------|--------------------------|-------------------|------------------------|--------------------------|---------------------|---------------------|
| | Opening Balance | & reallocation of assets under Construction | | Opening balance | Expense | | Closing Balance | End of year | |
| Tangible Capital Assets | | | | | | | | | |
| Land | \$ 1,256,899 | \$ - | \$ 1,256,899 | \$ - | \$ - | \$ - | \$ - | \$ 1,256,899 | |
| Buildings | 2,496,177 | 39,698 | 2,535,875 | 801,903 | 61,719 | - | 863,622 | 1,672,253 | |
| Vehicles, equipment & furniture | 2,121,874 | 5,317 | 2,127,191 | 1,212,489 | 91,674 | - | 1,304,163 | 823,028 | |
| Transportation infrastructure | 2,736,753 | 115,843 | 2,852,596 | 1,418,451 | 65,606 | - | 1,484,057 | 1,368,539 | |
| Water infrastructure | 2,068,097 | 9,280 | 2,077,377 | 690,061 | 40,109 | - | 730,170 | 1,347,207 | |
| Sewer infrastructure | 1,441,336 | 80,464 | 1,521,800 | 1,111,258 | 32,335 | - | 1,143,593 | 378,207 | |
| Total | \$ 12,121,136 | \$ 250,602 | \$ 12,371,738 | \$ 5,234,162 | \$ 291,443 | \$ - | \$ 5,525,605 | \$ 6,846,133 | |

THE CORPORATION OF THE VILLAGE OF SALMO

SCHEDULE B - SCHEDULE OF SEGMENTED INFORMATION

For the Year Ended December 31, 2017

| | General Government | Protective Services | Transportation Services | Environmental Health Services | Public Health Services | Parks & Recreation | Water Utility | Sewer Utility | 2017 Total |
|---------------------------------|-----------------------|------------------------|----------------------------|-------------------------------------|------------------------------|-----------------------|------------------|------------------|------------------|
| Revenues | | | | | | | | | |
| Taxes | \$ 406,290 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 406,290 |
| Sales of Service | - | - | - | 74,902 | 5,230 | - | 2,025 | 400 | 82,557 |
| Other revenue from own services | 64,909 | 15,152 | 5,676 | - | 50,280 | 6,004 | - | - | 142,021 |
| Investment income | 37,340 | - | - | - | - | - | 19,385 | - | 56,725 |
| Grants - unconditional | 415,702 | - | - | - | - | - | - | - | 415,702 |
| Grants - conditional | 133,420 | 85,659 | 3,534 | - | 10,000 | 64,461 | 53,005 | 66,893 | 416,972 |
| Water user fees | - | - | - | - | - | - | 195,219 | - | 195,219 |
| Sewer user fees | - | - | - | - | - | - | - | 217,899 | 217,899 |
| Donated assets | - | - | - | - | - | - | - | - | - |
| Gain on sale of assets | - | - | - | - | - | - | - | - | - |
| | <u>1,057,661</u> | <u>100,811</u> | <u>9,210</u> | <u>74,902</u> | <u>65,510</u> | <u>70,465</u> | <u>269,634</u> | <u>285,192</u> | <u>1,933,385</u> |
| Expenditures | | | | | | | | | |
| Wages and benefits | 226,149 | 14,397 | 122,288 | 4,885 | 4,989 | 12,785 | 75,935 | 109,635 | 571,063 |
| Supplies and services | 233,826 | 67,926 | 134,785 | 84,579 | 2,060 | 49,906 | 130,546 | 59,696 | 763,324 |
| Interest and other debt charges | - | 1,319 | 6,300 | - | 36,551 | - | 15,129 | - | 59,299 |
| Amortization | 5,850 | 61,646 | 87,009 | 2,611 | 42,864 | 19,019 | 40,109 | 32,335 | 291,443 |
| | <u>465,825</u> | <u>145,288</u> | <u>350,382</u> | <u>92,075</u> | <u>86,464</u> | <u>81,710</u> | <u>261,719</u> | <u>201,666</u> | <u>1,685,129</u> |
| Annual Surplus (Deficit) | <u>591,836</u> | <u>(44,477)</u> | <u>(341,172)</u> | <u>(17,173)</u> | <u>(20,954)</u> | <u>(11,245)</u> | <u>7,915</u> | <u>83,526</u> | <u>248,256</u> |