

District of Clearwater
Financial Statements
For the year ended December 31, 2018

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Financial Statements
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	Contents
Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3 - 4
Financial Statements	
Statement of Financial Position	5
Statement of Operations	6
Statement of Change in Net Financial Assets	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 22
Schedule 1: Fund Revenue	23
Schedule 2: Fund Expenses	24

Management's Responsibility for Financial Reporting

The accompanying financial statements of the District of Clearwater (the "District") are the responsibility of management and have been approved by the Mayor and Council of the District.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The District of Clearwater maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the District's assets are appropriately accounted for and adequately safeguarded.

The District of Clearwater is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out this responsibility principally through its Finance Committee.

The Mayor and Council review the District's financial statements and recommend their approval. The Mayor and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Mayor and Council takes this information into consideration when approving the financial statements for issuance to the ratepayers. The Mayor and Council also appoint the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the ratepayers. BDO Canada LLP has full access to the Council and management.


Chief Administrative Officer


Mayor

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the District of Clearwater

Opinion

We have audited the accompanying financial statements of the District of Clearwater (the "District"), which comprise the statement of financial position as at December 31, 2018, and the statement of changes in net financial assets, statement of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

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

The District had adopted Public Sector Accounting Standard PS3260 - Contaminated Sites. As a part of the transition to the new accounting standard, the District identified one property not in productive use, which has a high probability of contamination due to the fact that the property was previously used as a gas station prior to being abandoned. The District was unable to have a full environmental assessment completed as of the date of this report, and as such is unable to determine what, if any, liability should be recognized in relation to this property. Accordingly we were unable to determine what changes, if any, would be required to be made to liabilities, expenses for the years ended December 31, 2018 or December 31, 2017 and accumulated surplus end of year as at December 31, 2018 and December 31, 2017.

Responsibilities of Management and Those Charged with Governance 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Chartered Professional Accountants

**Kamloops, British Columbia
May 7, 2019**

District of Clearwater
Statement of Financial Position

As at December 31	2018	2017
Financial assets		
Cash	\$ 1,538,753	\$ 510,827
Short-term investments (Note 3)	1,500,000	1,922,505
Taxes and utilities receivable	245,410	285,361
Accounts receivable	918,539	832,243
Inventories for resale	7,099	8,626
	4,209,801	3,559,562
Liabilities		
Accounts payable and accrued liabilities	577,272	524,570
Employee benefits plan liability (Note 4)	204,921	189,759
Deferred revenue (Note 5)	322,354	489,306
Refundable deposits	73,503	13,503
Long-term debt (Note 6)	465,494	242,108
	1,643,544	1,459,246
Net financial assets	2,566,257	2,100,316
Non-financial assets		
Tangible capital assets (Note 7)	35,461,445	33,703,237
Prepaid expenses and deposits	17,473	14,671
	35,478,918	33,717,908
Accumulated surplus (Note 8)	\$ 38,045,175	\$ 35,818,224

Contingent liabilities (Note 11)
Commitments (Note 12)



Director of
Finance



Mayor

**District of Clearwater
Statement of Operations**

For the year ended December 31	Budget 2018	2018	2017
	(Note 15)		
Revenue (Schedule 1)			
Municipal taxation and grants-in-lieu of taxes (Note 9)	\$ 2,465,756	\$ 2,467,968	\$ 2,253,792
Corporate services	243,628	295,238	366,457
Transportation services	98,306	134,412	98,077
Parks and recreation user fees	73,800	58,785	108,480
North Thompson Sportsplex	309,265	311,000	287,716
Public Health	74,000	72,357	64,619
Water user rates	351,000	365,467	359,578
Sewer user rates	128,000	133,769	128,508
Government grant and transfers (Note 10)	2,345,787	2,255,810	1,386,500
Private contributions	-	352,255	1,299,269
Investment income	20,500	48,188	43,272
Penalties and interest on taxes	30,000	34,675	36,820
Other grants	239,565	145,536	407,422
Loss on disposal of assets	-	(14,434)	-
Donation revenue (Note 17)	-	585,000	-
	6,379,607	7,246,026	6,840,510
Expenses (Schedule 2)			
General government	2,474,251	1,726,716	2,057,563
Protective services	312,027	288,815	312,866
Transportation services	1,083,144	1,059,965	994,315
Environmental and public health services	74,818	50,461	46,903
Planning and development	125,268	125,132	157,364
Parks, recreation and culture	426,525	411,949	362,087
North Thompson Sportsplex	577,843	568,738	586,292
Water utility	584,280	574,552	480,384
Sewer utility	222,657	212,747	167,076
	5,880,813	5,019,075	5,164,850
Annual surplus	498,794	2,226,951	1,675,660
Accumulated surplus, beginning of year	35,725,252	35,818,224	34,142,564
Accumulated surplus, end of year	\$36,224,046	\$38,045,175	\$ 35,818,224

The accompanying notes are an integral part of these financial statements.

District of Clearwater
Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2018	2018	2017
Annual surplus	\$ 498,794	\$ 2,226,951	\$ 1,675,660
Acquisition of tangible capital assets	-	(2,964,112)	(3,314,932)
Amortization of tangible capital assets	-	1,191,370	1,609,212
Loss on sale of tangible capital assets	-	14,434	-
Proceeds on sale of tangible capital assets	-	100	-
	<u>498,794</u>	<u>468,743</u>	<u>(30,060)</u>
Use of prepaid expenses	-	(2,802)	(5,457)
Net change in net financial assets	498,794	465,941	(35,517)
Net financial assets, beginning of year	<u>2,100,316</u>	<u>2,100,316</u>	<u>2,135,833</u>
Net financial assets, end of year	<u>\$ 2,599,110</u>	<u>\$ 2,566,257</u>	<u>\$ 2,100,316</u>

The accompanying notes are an integral part of these financial statements.

District of Clearwater
Statement of Cash Flows

For the year ended December 31	2018	2017
Operating transactions		
Annual surplus	\$ 2,226,951	\$ 1,675,660
Items not involving cash		
Amortization	1,191,370	1,609,212
Loss on disposal of tangible capital assets	14,534	-
Changes in non-cash operating balances		
Taxes receivable	39,951	57,044
Accounts receivable	(86,294)	(701,833)
Inventories for resale	1,526	(1,143)
Prepaid expenses and inventories of supplies	(2,802)	(5,457)
Accounts payable and accrued liabilities	52,703	221,228
Employee benefits and other liabilities	15,162	36,038
Deferred revenue	(166,952)	296,320
Refundable deposits	60,000	-
	<u>3,346,149</u>	<u>3,187,069</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(2,964,112)</u>	<u>(3,314,932)</u>
Investing transactions		
Redemption of short-term investments	<u>422,505</u>	<u>(202,156)</u>
Financing transactions		
Proceeds from issuance of long-term debt	323,594	-
Repayment of long-term debt	<u>(100,210)</u>	<u>(76,085)</u>
	<u>223,384</u>	<u>(76,085)</u>
Net decrease in cash	1,027,926	(406,104)
Cash, beginning of year	<u>510,827</u>	<u>916,931</u>
Cash, end of year	<u>\$ 1,538,753</u>	<u>\$ 510,827</u>

The accompanying notes are an integral part of these financial statements.

District of Clearwater
Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies

**Management's
Responsibility for the
Financial Statements**

The financial statements of the District of Clearwater (the "District") are the responsibility of management. The District is a municipality in the Province of British Columbia and operates under the provisions of the Community Charter. The District provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

Basis of Presentation

The financial statements of the District have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Inventories for Resale

Inventories held for resale are recorded at cost which does not exceed net realizable value. Cost is determined on a first in, first out basis.

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Short-term Investments

Short-term investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature, in which case the investments are written down to market value.

**Tangible Capital
Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	15 to 75 years
Buildings and building improvements	20 to 75 years
Vehicles	15 to 20 years
Machinery and equipment	5 to 30 years
Sewer system and equipment	20 to 80 years
Water system and equipment	20 to 80 years
Roads infrastructure -Base	75 years
-Surface	25 years

District of Clearwater
Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (continued)

**Collection of Taxes on
Behalf of Other Taxation
Authorities**

The District collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

Reserve Funds

Reserves represent amounts set aside for specific or future expenditures. Statutory reserves require the passing of a by-law before funds can be expended. Reserve accounts require an approved council budget and resolution.

Trust Funds

Funds held in trust by the District, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

**Retirement Benefits and
Other Employee
Benefit Plans**

The District's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred. The costs of other pensions and other retirement benefits that accumulate over the period of service provided by employees are actuarially determined using the projected benefit method prorated on services based on management's best estimate of retirement ages, inflation rates, investment returns, wage and salary escalation, insurance and health care costs trends, employee turnover and discount rates. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employee group.

Deferred Revenue

Funds received for specific purposes, which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes, are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

**Government Grants
and Transfers**

Government grants and transfers, which include legislative grants, are recognized in the financial statements in the period 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 amount can be made.

District of Clearwater
Notes to the Financial Statements

December 31, 2018

1. Significant Accounting Policies (continued)

Contaminated Sites Governments are required to accrue a liability for the costs to remediate a contaminated site. Liabilities are recognized when an environmental standard exists, contamination exceeds the standard, the government has responsibility for remediation, future economic benefits will be given up, and a reasonable estimate can be made.

Revenue Recognition Taxes are recognized as revenue in the year they are levied. Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

Sales of service and other revenue is recognized on an accrual basis.

Use of Estimates The preparation of financial statements in accordance 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 amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Nature of Operations

The District was incorporated on December 3, 2007 under the statute of the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. Its principal activities include the provision of local government services to the residents of the Clearwater area. These include general government, protective, transportation, environmental, recreational and cultural services, water utility, sewer utility, and fiscal services.

District of Clearwater
Notes to the Financial Statements

December 31, 2018

3. Short-term Investments

	2018	2017
Money market investments, redeemed during the year	\$ -	\$ 222,505
Royal Bank of Canada GIC, matured during the year	-	1,200,000
Royal Bank of Canada GIC, matured during the year	-	500,000
Royal Bank of Canada GIC, accruing interest at 1.75% per annum, maturing February 2019	1,500,000	-
	\$ 1,500,000	\$ 1,922,505

The income from short-term investments for the year was \$15,731 (2017 - \$26,841). The carrying value is equal to market value for these investments.

4. Employee Benefits Plan Liability

	2018	2017
Retirement and sick leave benefits - accrued obligation	\$ 172,738	\$ 164,600
Vacation	32,183	25,159
	\$ 204,921	\$ 189,759

The District provides benefits for sick leave to its employees, such that employees accumulate sick leave entitlement on a monthly basis and can use this entitlement for paid time off under certain circumstances. Based on 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 120 days per employee. Existing employees sick leave agreements have been grandfathered in based upon prior collective agreements. The benefit vests upon retirement at which time 75% of the amount is paid out to the employee.

The liability for sick leave entitlements recorded above represents approximately 5,339 hours (2017 - 5,765 hours).

District of Clearwater
Notes to the Financial Statements

December 31, 2018

5. Deferred Revenue

Included in deferred revenue are amounts relating to grant funding for the coming year:

	2018	2017
Development cost charges	\$ 236,488	\$ 72,476
Park dedication funds	6,869	6,734
Other	58,304	381,642
Property taxes paid in advance	20,693	28,454
	\$ 322,354	\$ 489,306

6. Net Long-term Debt

Net long-term debt reported on the statement of financial position is comprised of the following:

	2018	2017
Wells Gray Community Forest interest free loan, repaid in the current year.	\$ -	\$ 80,000
Municipal Finance Authority, non-revolving demand loan, repayable in monthly installments of \$1,025 including interest at 1.49%, maturing August 31, 2020.	20,271	32,093
Municipal Finance Authority, 10-year debenture issued for \$323,594 maturing April 2028, requiring annual sinking fund payments of \$33,324 and annual interest payments of \$5,096, secured by demand notes payable and security cash deposits as detailed below.	323,594	-
Municipal Finance Authority, non-revolving demand loan, repayable in monthly installments of \$658 including interest at 2.14%, maturing May 31, 2023.	33,264	-
Municipal Finance Authority, by-law 49, 10-year debenture issued for \$380,000 maturing April 8, 2020, requiring annual sinking fund payments of \$31,651 and annual interest payments of \$17,100, secured by demand notes payable and security cash deposits as detailed below.	88,365	130,015
	\$ 465,494	\$ 242,108

District of Clearwater
Notes to the Financial Statements

December 31, 2018

6. Net Long-term Debt (continued)

Re-payments relating to net long-term debt of \$465,494 outstanding are due as follows:

2019	\$ 78,951
2020	100,615
2021	35,745
2022	35,933
Thereafter	<u>214,250</u>
	<u>\$ 465,494</u>

Total interest on long-term liabilities reported in the statement of operations amounts to \$22,197 (2017 - \$17,100). The long-term liabilities above have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit described by the Ministry of Municipal Affairs.

Sinking fund assets, managed by the Municipal Finance Authority ("MFA"), are used to reduce long-term debt and have a market value of \$44,763 (2017 - \$25,402).

**District of Clearwater
Notes to the Financial Statements**

December 31, 2018

7. Tangible Capital Assets

2018

	Land	Land improvements	Buildings and building improvements	Vehicles, machinery and equipment	Roads and linear assets	Water infrastructure	Sewer infrastructure	Assets under construction	Total
Cost, beginning of year	\$ 8,253,519	\$ 2,322,117	\$ 5,069,445	\$ 2,043,801	\$ 25,275,809	\$ 4,055,632	\$ 1,974,365	\$ -	\$ 48,994,688
Additions	-	149,342	867,608	165,355	97,848	1,583,959	100,000	-	2,964,112
Disposals	-	-	-	(35,565)	-	-	-	-	(35,565)
Cost, end of year	8,253,519	2,471,459	5,937,053	2,173,591	25,373,657	5,639,591	2,074,365	-	51,923,235
Accumulated amortization, beginning of year	-	617,774	1,254,842	1,408,108	10,923,927	839,305	247,495	-	15,291,451
Amortization	-	88,087	277,026	79,385	588,147	98,427	60,298	-	1,191,370
Disposals	-	-	-	(21,031)	-	-	-	-	(21,031)
Accumulated amortization, end of year	-	705,861	1,531,868	1,466,462	11,512,074	937,732	307,793	-	16,461,790
Net carrying amount, end of year	\$ 8,253,519	\$ 1,765,598	\$ 4,405,185	\$ 707,129	\$ 13,861,583	\$ 4,701,859	\$ 1,766,572	\$ -	\$ 35,461,445

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

Included in additions above are \$352,255 (2017 - \$1,163,898) of contributed tangible capital assets.

There were no tangible capital assets that had values written down during the year.

District of Clearwater
Notes to the Financial Statements

December 31, 2018

7. Tangible Capital Assets (continued)

2017

	Land	Land improvements	Buildings and building improvements	Vehicles, machinery and equipment	Roads and linear assets	Water infrastructure	Sewer infrastructure	Assets under construction	Total
Cost, beginning of year	\$ 8,217,348	\$ 1,887,331	\$ 4,474,224	\$ 2,036,097	\$ 24,052,224	\$ 3,335,970	\$ 1,676,562	\$ -	\$ 45,679,756
Additions	36,171	434,786	595,221	7,704	1,223,585	719,662	297,803	-	3,314,932
Cost, end of year	8,253,519	2,322,117	5,069,445	2,043,801	25,275,809	4,055,632	1,974,365	-	48,994,688
Accumulated amortization, beginning of year	-	533,044	1,064,994	1,255,452	9,902,250	730,823	195,676	-	13,682,239
Amortization	-	84,730	189,848	152,656	1,021,677	108,482	51,819	-	1,609,212
Accumulated amortization, end of year	-	617,774	1,254,842	1,408,108	10,923,927	839,305	247,495	-	15,291,451
Net carrying amount, end of year	\$ 8,253,519	\$ 1,704,343	\$ 3,814,603	\$ 635,693	\$ 14,351,882	\$ 3,216,327	\$ 1,726,870	\$ -	\$ 33,703,237

District of Clearwater
Notes to the Financial Statements

December 31, 2018

8. Accumulated Surplus

The District segregates its accumulated surplus in the following categories:

	<u>2018</u>	<u>2017</u>
Investment in tangible capital assets	\$34,873,409	\$ 33,438,373
Unrestricted	1,075,933	882,273
	<u>35,949,342</u>	<u>34,320,646</u>
 Reserve Funds		
Fire equipment replacement	325,000	255,893
Office equipment replacement	28,638	26,992
Transit	57,865	37,774
Greenhouse gas reserve	22,655	16,508
Economic development	44,498	41,661
Roads	255,856	201,204
Wells Gray Community Forest Commission (Note 17)	586,199	-
Septage receiving reserve	17,472	21,864
Water renewal	333,438	461,730
North Thompson Sportsplex	88,641	97,808
Future capital - sewer fund	167,763	164,464
Land purchase reserve	10,536	10,329
Miscellaneous reserves	43,261	47,678
Gas Tax reserve	114,011	113,672
	<u>2,095,833</u>	<u>1,497,577</u>
	<u>\$38,045,175</u>	<u>\$ 35,818,223</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

District of Clearwater
Notes to the Financial Statements

December 31, 2018

9. Municipal Taxation and Grants-in-Lieu of Taxes

	Budget 2018	2018	2017
	(Note 15)		
Municipal and school property tax levied	\$ 4,132,662	\$ 4,133,254	\$ 3,942,296
Water parcel taxes levied	99,300	99,200	99,200
Sewer parcel taxes levied	9,920	9,920	9,920
Payments in lieu of property and business taxes	26,600	28,320	28,435
	4,268,482	4,270,694	4,079,851
Transfers			
Thompson-Nicola Regional District	544,995	544,995	589,358
Thompson Regional Hospital District	194,268	194,268	193,110
Province of British Columbia - school taxes	911,019	911,019	897,304
Policing costs	128,743	128,743	122,813
British Columbia Assessment Authority	23,619	23,619	23,398
Municipal Finance Authority	82	82	76
	1,802,726	1,802,726	1,826,059
Available for general municipal purposes	\$ 2,465,756	\$ 2,467,968	\$ 2,253,792

10. Government Grants and Transfers

	Budget 2018	2018	2017
	(Note 15)		
Provincial transfers			
Small Community Protection	\$ 414,256	\$ 423,419	\$ 414,256
Infrastructure grant	1,290,784	1,264,616	630,215
Conditional grant	301,000	316,000	144,722
Miscellaneous grant funding	32,548	93,653	45,108
	2,038,588	2,097,688	1,234,301
Federal transfers			
Federal Gas Tax funding	307,199	158,122	152,199
	\$ 2,345,787	\$ 2,255,810	\$ 1,386,500

District of Clearwater
Notes to the Financial Statements

December 31, 2018

11. Contingent Liabilities

Debts of the Thompson-Nicola Regional District (the "TNRD") are, under the provisions of the British Columbia Community Charter, a direct, joint and several liability of the TNRD and each member municipality within the TNRD, including the District of Clearwater.

12. Commitments

The District, as a member of the Thompson-Nicola Regional District, is liable for its proportion of any operating deficits or long-term debt related to functions in which it participates.

The District 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 contributory pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2018, the Plan has about 197,000 active members and approximately 95,000 retired members. Active members include 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 for the Municipal Pension Plan 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 the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The District paid \$67,013 (2017 - \$54,455) for employer contributions to the Plan in fiscal 2018, while employees contributed \$59,952 (2017 - \$46,751) to the plan in fiscal 2018.

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 the individual employers participating in the Plan.

District of Clearwater
Notes to the Financial Statements

December 31, 2018

13. Contaminated Sites

In a previous year, the District acquired a property by means of a tax sale, which had previously been used as a gas station and subsequently abandoned. A Phase 1 environmental assessment has been completed on the subject property, which concluded that a full environmental assessment should be completed in order to determine what remediation would be necessary on this property. As of the date of these financial statements, the full environmental assessment has not been completed, and as such, management is unable to determine what, if any, liability should be recognized in respect of this potential liability.

14. Funds Held in Trust

The District operates the Riverview cemetery and maintains a cemetery perpetual care fund in accordance with the Cremation, Interment and Funeral Services Act of British Columbia. Trust fund assets, the related reserve balance and the operations of the fund have been excluded from the financial statements as the assets are beneficially held only, in trust for unrelated third parties. At December 31, 2018 the District held \$47,045 (2017 - \$44,462) in trust.

15. Budget

The Financial Plan (Budget) By-Law adopted by Council on May 9, 2017 was not prepared on a basis consistent with that used to report actual results (public sector accounting standards). The budget was prepared on a modified accrual basis, while public sector accounting standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$288,374. The budget expensed all tangible capital expenditures. As a result, the budget figures presented in the statements of financial activities and change in net financial assets represent the Financial Plan adopted by Council on April 17, 2018 with adjustments as follows:

	<u>2018</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	2,762,794
Debt charges	69,619
Less:	
Transfers from surpluses and reserves	(288,374)
Debt Proceeds	(221,986)
Transfer from equity in capital assets	<u>(1,823,259)</u>
Budget deficit per statement of financial activities	<u>\$ 498,794</u>

December 31, 2018

16. Segmented Information

The District is a diversified municipal government institution that provides a wide range of services to its citizens such as transit, public housing, police, fire and water. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

General government operations provide the functions of corporate administration, finance, human resources, legislative services, building services and maintenance, and any other functions not categorized to a specific department.

Protective Services

Protection is comprised of building inspections, bylaw enforcement, and the fire department. The mandate of the fire department is to provide fire suppression services, fire prevention programs, training and education related to prevention and detection or extinguishing of fires.

Transportation Services

Transportation services is responsible for public transit services and roads.

Environmental and Public Health Services

The environmental and public health department is responsible for the delivery of municipal programs to promote public health, seniors and youth programs, maintenance of the dykes, cemetery and environmental sustainability services.

Planning and Development

Planning and development works to achieve the District's goals to maintain and enhance community spirit and vitality and use of public space. It does so through official community plans, urban design, zoning and other policy initiatives.

Parks, Recreation and Culture

The parks, recreation and culture department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of parklands and park infrastructure, and the maintenance of open space and other recreation space and facilities.

North Thompson Sportsplex

The North Thompson Sportsplex department is responsible for the operations and maintenance of the Sportsplex which provides a facility for hockey, figure skating, curling and other community events.

District of Clearwater
Notes to the Financial Statements

December 31, 2018

16. Segmented Information (continued)

Water and sewer utilities

The District is responsible for environmental programs including the engineering and operation of the potable water and wastewater systems.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budget net expenditure. The various user charges and other revenues 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 is made. Development charges earned and developer contributions received are allocated to the segment for which the charge was collected.

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

17. Wells Gray Community Forest Commission

During the year, the District entered into an agreement with the Wells Gray Community Forest Corporation ("WGFC") to form the Wells Gray Community Forest Commission (the "Commission"). Under the terms of the agreement, WGFC will make donations from time to time to the Commission. The Commission is a committee of Council, which makes decisions on donations and projects that have been submitted by various organization within the District and Wells Gray area.

District of Clearwater
Schedule 1: Fund Revenue

December 31, 2018

	2018 Total	2017 Total
Tax levies		
Taxation	\$ 2,439,648	\$ 2,225,357
Grants-in-lieu of taxes	28,320	28,435
	2,467,968	2,253,792
Sale of services		
Corporate services	295,238	366,457
Transportation services	134,412	98,077
Parks and recreation user fees	58,785	108,480
North Thompson Sportsplex	311,000	287,716
Public Health	72,357	64,619
Water user rates	365,467	359,578
Sewer user rates	133,769	128,508
	1,371,028	1,413,435
Revenue from own sources		
Other grants	145,536	407,422
Private contributions	352,255	1,299,269
Investment income	48,188	43,272
Donation revenue	585,000	-
Penalties and interest on taxes	34,675	36,820
	1,165,654	1,786,783
Transfers from other governments		
Provincial	2,097,688	1,234,301
Federal	158,122	152,199
	2,255,810	1,386,500
Gain (loss) on disposal of tangible capital assets	(14,434)	-
Total revenue	\$ 7,246,026	\$ 6,840,510

**District of Clearwater
Schedule 2: Fund Expenses**

December 31, 2018

	2018 Total	2017 Total
General government		
Operating	\$ 420,137	\$ 418,998
Salaries, wages and employee benefits	609,532	556,853
Amortization	696,063	1,081,083
	1,726,716	2,057,563
Protective services		
Operating	120,813	168,080
Salaries, wages and employee benefits	120,499	93,933
Amortization	47,503	50,853
	288,815	312,866
Transportation services		
Operating	970,133	904,471
Salaries, wages and employee benefits	89,832	89,844
	1,059,965	994,315
Environmental and public health services		
Operating	29,489	23,356
Salaries, wages and employee benefits	20,972	23,547
	50,461	46,903
Planning and Development		
Operating	72,170	101,294
Salaries, wages and employee benefits	52,962	56,070
	125,132	157,364
Parks, Recreation and Culture		
Operating	198,234	193,332
Salaries, wages and employee benefits	81,639	67,126
Amortization	132,076	101,629
	411,949	362,087
North Thompson Sportsplex		
Operating	204,106	192,165
Salaries, wages and employee benefits	221,603	206,503
Amortization	143,029	187,624
	568,738	586,292
Water utility		
Debt services	5,097	-
Operating	252,967	179,328
Salaries, wages and employee benefits	209,383	182,713
Amortization	107,105	118,343
	574,552	480,384
Sewer utility		
Debt services	17,100	17,100
Operating	67,297	35,417
Salaries, wages and employee benefits	62,756	44,879
Amortization	65,594	69,680
	212,747	167,076
Total expenses	\$ 5,019,075	\$ 5,164,850