

The Corporation of the District of Summerland
Financial Statements
For the year ended December 31, 2019

The Corporation of the District of Summerland

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For the year ended December 31, 2019

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Management's Responsibility

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards for local governments and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The Mayor and Council are composed entirely of individuals who are neither management nor employees of the District. The Mayor and Council are responsible for overseeing management in the performance of its financial reporting responsibilities. The Mayor and Council fulfill these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Mayor and Council are also responsible for appointing the District's external auditors.

BDO Canada LLP, an independent firm of Chartered Professional Accountants, is appointed by the Mayor and Council to audit the financial statements in accordance with Canadian generally accepted auditing standards and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Council and management to discuss their audit findings.

April 27, 2020



Director of Finance

Independent Auditor's Report

To the Members of Council, inhabitants and ratepayers of the District of Summerland

Opinion

We have audited the financial statements of the District of Summerland (the "Entity"), which comprise the statement of financial position as at December 31, 2019, and the statement of operations, the statement of change in net financial assets and the 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements for the period ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on April 8, 2019.

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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
Kelowna, British Columbia
April 27, 2020

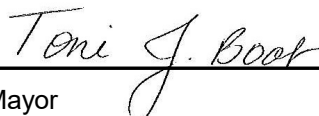
The Corporation of the District of Summerland
Statement of Financial Position
As at December 31, 2019

	2019	2018
Financial assets		
Cash and cash equivalents	\$ 17,077,079	\$ 9,480,319
Accounts receivable (Note 2)	4,494,817	7,982,531
Portfolio investments (Note 3)	11,149,998	8,466,138
Deposit - Municipal Finance Authority (Note 4)	613,013	640,511
	33,334,907	26,569,499
Financial liabilities		
Accounts payable and accrued liabilities (Note 5)	4,688,042	3,986,488
Landfill closure and post closure liability (Note 6)	1,385,985	650,658
Deferred revenue (Note 7)	6,287,857	6,026,085
Deposits	1,241,905	734,963
Long-term debt (Note 8)	15,409,866	17,507,422
	29,013,655	28,905,616
Net financial assets (debt)	4,321,252	(2,336,117)
Non-financial assets		
Tangible capital assets (Note 9)	113,838,425	114,330,368
Prepays	291,776	235,158
Inventories of supplies	1,415,717	1,043,926
	115,545,918	115,609,452
Accumulated surplus (Note 10)	\$119,867,169	\$113,273,334

Contingent liabilities and commitments (Note 14)



 Director of Finance



 Mayor

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the District of Summerland
Statement of Operations and Accumulated Surplus

For the year ended December 31, 2019

	Budget (Note 16)	2019	2018
Revenue			
Taxation - net (Note 12)	\$ 11,443,463	\$ 11,448,838	\$ 11,045,167
Government transfers (Note 13)	16,617,699	2,959,365	3,254,546
User fees, sales and rentals	19,820,029	20,029,503	19,212,224
Permits, licenses and fines	600,250	570,659	559,679
Investment income	140,000	345,831	202,275
Actuarial earnings (Note 8)	899,873	899,874	815,174
Penalties and interest on taxes	93,500	95,975	97,533
Franchise	98,261	98,261	107,366
Contributions	1,360,650	967,631	754,011
Other	1,340,410	434,135	276,039
Gain on disposal of tangible capital assets	-	777,079	11,269
	52,414,135	38,627,151	36,335,283
Expenses			
General government services	2,209,397	2,095,912	1,577,112
Protection services	3,118,152	2,775,173	2,848,766
Transportation services	4,664,909	3,221,331	3,450,384
Environmental services	1,835,346	2,225,915	1,673,318
Health services	127,048	82,723	89,186
Planning and development	1,049,817	774,023	688,842
Parks and recreation	3,612,763	3,341,868	3,148,411
Water services	5,578,720	4,552,156	4,365,995
Sewer services	2,900,740	2,527,583	2,439,602
Electrical services	12,480,850	10,436,632	10,936,709
	37,577,742	32,033,316	31,218,325
Annual surplus	14,836,393	6,593,835	5,116,958
Accumulated surplus, beginning of year	113,273,334	113,273,334	108,156,376
Accumulated surplus, end of year	\$ 128,109,727	\$ 119,867,169	\$ 113,273,334

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the District of Summerland
Statement of Changes in Net Financial Assets (Debt)
For the year ended December 31, 2019

	Budget (Note 16)	2019	2018
Annual surplus	\$ 14,836,393	\$ 6,593,835	\$ 5,116,958
Acquisition of tangible capital assets	(26,962,419)	(4,767,330)	(5,018,300)
Amortization of tangible capital assets	4,738,000	4,034,262	3,685,092
Gain on disposal of tangible capital assets	-	(777,079)	(11,269)
Proceeds on sale of tangible capital assets	-	2,002,090	14,592
	(7,388,026)	7,085,778	3,787,073
Change in prepaids	-	(56,617)	55,199
Change in inventory of supplies	-	(371,792)	(92,136)
Decrease in net debt	(7,388,026)	6,657,369	3,750,136
Net debt, beginning of year	(2,336,117)	(2,336,117)	(6,086,253)
Net financial assets (debt), end of year	\$ (9,724,143)	\$ 4,321,252	\$ (2,336,117)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the District of Summerland
Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Operating transactions		
Annual surplus	\$ 6,593,835	\$ 5,116,958
Items not involving cash		
Amortization	4,034,262	3,685,092
Gain on disposal of tangible capital assets	(777,079)	(11,269)
Landfill closure and post closure costs	735,327	207,062
Contributed tangible capital assets	(8,150)	(12,500)
	3,984,360	3,868,385
Changes in non-cash operating balances		
Accounts receivable	3,487,714	386,927
Prepays	(56,617)	55,199
Inventories of supplies	(371,792)	(92,136)
Accounts payable and accrued liabilities	701,554	(1,356,037)
Deferred revenue	261,772	879,140
Actuarial reduction of long-term debt	(899,874)	(815,174)
Deposit - Municipal Finance Authority	27,498	(13,639)
Deposits	506,942	(9,113)
	3,657,197	(964,833)
	14,235,392	8,020,510
Capital transactions		
Acquisition of tangible capital assets	(4,759,180)	(5,005,800)
Proceeds on disposal of tangible capital assets	2,002,090	14,592
	(2,757,090)	(4,991,208)
Investing transactions		
Acquisition of portfolio investments	(2,683,860)	(1,796,999)
Financing transactions		
Repayment of long-term debt	(1,197,682)	(1,409,153)
Net change in cash and cash equivalents	7,596,760	(176,850)
Cash and cash equivalents, beginning of year	9,480,319	9,657,169
Cash and cash equivalents, end of year	\$ 17,077,079	\$ 9,480,319

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the District of Summerland

Notes to the Financial Statements

For the year ended December 31, 2019

The Corporation of the District of Summerland (the "District") was incorporated under the laws of the Province of British Columbia in 1906 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 residents of the incorporated area. These include general government, fire protection, planning and development, parks and cultural services, utilities, and fiscal services. Under Section 149(1)(c) of the Income Tax Act, the District is exempt from taxation.

1. Significant accounting policies

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

(a) Basis of consolidation

i) Consolidated entities

The District does not control any significant external entities and accordingly no entities have been consolidated in the financial statements.

ii) Accounting for other government organizations and School Board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the other government entities and the School Boards with which the District interacts are not reflected in these financial statements. Funds collected by the District on behalf of these other entities and transmitted to them are summarized in Note 12. Funds received by the District as transfers from other government entities are summarized in Note 13.

(b) Basis of accounting

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

The Corporation of the District of Summerland

Notes to the Financial Statements

For the year ended December 31, 2019

1. Significant accounting policies (continued)

(c) Revenue recognition

Taxation revenues are recorded on an accrual basis and recognized as revenue in the year they are levied. Charges for electric, sewer and water usage are recorded as user fees when the service or product is provided. Connection fee revenues are recognized when the connection has been established. Sales of service and other revenue is recognized when the service or product is provided.

The District recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the District recognizes revenue as the liability is settled.

Non-government 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.

(d) Deferred revenue

Funds received from non-government sources 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 statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.

(e) Investment income

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

(f) Reserves

Non-statutory reserves represent an appropriation of surplus for specific purposes. Statutory reserves are restricted by the Community Charter and the associated municipal bylaws that established the reserves.

(g) Cash and cash equivalents

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

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

1. Significant accounting policies (continued)

(h) Portfolio investments

Portfolio investments are recorded at cost. When there is a decline in the market value, which is other than temporary in nature, investments are written down to the market value.

(i) Inventory

Inventory is valued at the lower of cost and replacement cost. Cost is determined principally on a weighted average and specific item basis, or replacement cost.

(j) Long-term debt

Long-term debt is recorded net of related sinking fund balances.

(k) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the District is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2019.

At each financial reporting date, the District reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As of December 31, 2019, the District had no contaminated sites (2018 - none).

(l) Landfill closure and post-closure

The District is required to fund the closure of its landfill sites and to provide for the post-closure care of the facilities. Closure and post-closure activities include the final cover, landscaping, surface and groundwater monitoring, leachate control and visual inspection. The requirement is being provided for over the estimated life of the landfill sites based on the respective usage of each facility. The estimated costs to close and maintain the closed solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are recognized and charged to expense as the landfill site's capacity is used.

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

1. Significant accounting policies (continued)

(m) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use for the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Buildings	20-50
Roads and sidewalks	20-50
Machinery and equipment	5-20
Water utility	10-80
Sewer utility	10-50
Electric utility	10-50

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

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Works of art and cultural and historic assets

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

(iv) Interest capitalization

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

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

1. Significant accounting policies (continued)

(n) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period.

Significant estimates include assumptions used in estimating provisions for useful lives of tangible capital assets, liability for landfill closure and post-closure and liability for contaminated sites.

2. Accounts receivable

	2019	2018
Property taxes	\$ 563,414	\$ 563,960
Utilities	1,741,161	1,637,716
Other governments	1,095,199	5,122,198
Trade and other	1,152,043	713,200
Allowance for doubtful accounts	(57,000)	(54,543)
	\$ 4,494,817	\$ 7,982,531

3. Portfolio investments

	2019	2018
MFA short-term bond fund	\$ 9,566	\$ 9,365
MFA money market fund	68,665	67,410
Guaranteed Investment Certificates, interest ranging from 2.10% to 2.87% and maturing March, 2020 to September, 2020	11,071,767	8,389,363
	\$ 11,149,998	\$ 8,466,138

The income from portfolio investments and bank deposits for the year was \$429,159 (2018 - \$285,031), where \$69,473 (2018 - \$64,314) has been deferred. The market value of the District's portfolio investments was \$11,149,768 (2018 - \$8,465,848).

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

4. Municipal Finance Authority debt reserve

The District issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld as cash deposits by the Municipal Finance Authority as a debt reserve fund. The District also executes demand notes in connection with each debenture whereby the District may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature and are not reflected in the accounts. The details of the cash deposits and demand notes at the end of the year are as follows:

	Demand Notes	Cash Deposits	2019	2018
General fund	\$ 179,202	\$ 85,875	\$ 265,077	\$ 263,122
Water fund	532,310	273,668	805,978	855,770
Sewer fund	348,812	253,470	602,282	652,533
	\$ 1,060,324	\$ 613,013	\$ 1,673,337	\$ 1,771,425

5. Accounts payable and accrued liabilities

	2019	2018
Trade and other	\$ 3,626,046	\$ 2,937,371
Wages and benefits	689,602	661,546
Due to funds held in trust	372,394	387,571
	\$ 4,688,042	\$ 3,986,488

The Corporation of the District of Summerland
Notes to the Financial Statements

For the year ended December 31, 2019

6. Landfill closure and post closure liability

	2019	2018
Landfill closure costs	\$ 818,917	\$ 413,112
Landfill post closure costs	567,068	237,546
	\$ 1,385,985	\$ 650,658

In accordance with PS 3270, liabilities with respect to permanently closing and monitoring a landfill are incurred as landfill capacity is used. Landfill closure costs include placing a permanent cover over the face of the landfill. Post closure costs include landfill gas monitoring and general site maintenance for a period of 25 years after the landfill is closed.

Landfill closure costs are estimated based on the unused capacity of the landfill site. Management, with the assistance of an engineering firm, has projected the remaining life of the 950,000 m³ of airspace in the landfill to be 48 years, closing in the year 2067. Landfill closure costs are estimated at \$818,917 (2018 - \$413,112). As at December 31, 2019, \$874,495 (2018 - \$709,647) has been set aside in reserves for this purpose. The balance of the landfill closure costs are expected to be funded by a combination of future reserve account contributions and borrowing.

Post closure costs are estimated to manage the closed landfill for a period of 25 years, the statutory period required by the Province, using a number of factors including the unused capacity of the landfill, the probable closure date, the annual maintenance costs and the present value discount rate. The discount rate is the difference between the long-term Municipal Financing Authority borrowing rate and the current Consumer Price Index. The estimate of the annual costs is \$150,000. Total post closure costs are estimated to be \$567,068 for 2019 (2018 - \$237,546) based on 17.6% (2018 – 15.9%) of the landfill capacity used to this date and a 48-year lifespan to 2067 and a discount rate of 0.24% (2018 – 1.46%). Post closure costs are expected to be funded by annual budget appropriations in the years in which they are incurred.

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

7. Deferred revenue

	Opening balance	Deferred transactions	Externally restricted investment income	Revenue recognized	2019 Ending balance
Development cost charges	\$ 4,264,281	\$ 761,536	\$ 69,473	\$ (106,918)	\$ 4,988,372
Property taxes and business licenses	1,761,804	1,381,579	-	(1,843,898)	1,299,485
	\$ 6,026,085	\$ 2,143,115	\$ 69,473	\$(1,950,816)	\$ 6,287,857

8. Long-term debt

	2019	2018
Outstanding debt, beginning of year	\$ 17,507,422	\$ 19,731,749
Repayment of debt	(1,197,682)	(1,409,153)
Actuarial reduction of principal	(899,874)	(815,174)
Outstanding debt, end of year	\$ 15,409,866	\$ 17,507,422

Future payments on net outstanding debt for the next five years and thereafter are as follows:

	General Fund	Water Fund	Sewer Fund	Total
2020	\$ 311,999	\$ 1,008,359	\$ 708,715	\$ 2,029,073
2021	325,206	1,046,941	741,935	2,114,082
2022	258,736	1,087,007	776,734	2,122,477
2023	269,086	1,128,611	813,187	2,210,884
2024	279,849	1,171,813	212,803	1,664,465
2025 and thereafter	2,151,581	2,473,879	643,425	5,268,885
	\$ 3,596,457	\$ 7,916,610	\$ 3,896,799	\$ 15,409,866

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

8. Long-term debt (continued)

Bylaw Number	Purpose	Year Maturing	% Rate	2019 Cash Payments		Balance Outstanding	
				Interest	Principal	2019	2018
General fund							
00-083	Road Improvements	2026	1.750	\$ 17,500	\$ 30,243	\$ 149,204	\$ 218,520
00-083	Road Improvements	2030	4.500	90,000	67,163	1,289,222	1,381,140
00-399	RCMP Building	2030	4.200	131,250	104,943	2,158,032	2,296,130
				238,750	202,349	3,596,458	3,895,790
Water fund							
99-039	Water works upgrade	2019	2.100	21,000	33,150	-	75,009
00-161	Water works upgrade	2025	1.800	108,000	220,570	2,294,316	2,632,741
00-213	Thirsk Dam Expansion	2026	1.750	105,000	201,490	2,649,850	2,972,443
00-195	Water works upgrade	2027	2.250	135,000	201,491	2,972,443	3,282,629
				369,000	656,701	7,916,609	8,962,822
Sewer fund							
98-034	Sewer System construction	2023	2.650	238,500	188,572	2,264,345	2,764,683
99-040	Sewer System construction	2019	2.100	21,000	33,149	-	75,009
00-192	Sewer System construction	2025	1.800	14,400	29,409	305,909	351,032
00-207	Sewer System construction	2026	1.750	35,000	67,164	883,283	990,814
00-192	Sewer System construction	2029	2.250	8,260	6,717	119,363	128,922
16-023	Sewer System construction	2036	2.100	7,686	13,621	323,899	338,350
				324,846	338,632	3,896,799	4,648,810
				\$ 932,596	\$ 1,197,682	\$ 15,409,866	\$ 17,507,422

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

9. Tangible capital assets

	Land	Land Improvements	Buildings	Machinery and Equipment	Roads and Sidewalks	Water Utility	Sewer Utility	Electric Utility	Work in Progress	2019 Total	2018 Total
Cost, beg. of year	\$ 15,730,029	\$ 4,334,998	\$ 12,115,286	\$ 11,429,171	\$ 33,243,464	\$ 53,110,895	\$ 37,871,297	\$ 9,987,370	\$ 2,213,564	\$ 180,036,074	\$ 175,108,779
Additions	-	619,257	45,296	1,519,593	462,465	257,426	246,119	468,896	3,448,324	7,067,376	15,632,413
Disposals	(1,220,098)	-	-	(274,159)	-	-	-	-	(2,300,047)	(3,794,304)	(10,705,118)
Cost, end of year	14,509,931	4,954,255	12,160,582	12,674,605	33,705,929	53,368,321	38,117,416	10,456,266	3,361,841	183,309,146	180,036,074
Accumulated amortization, beg. of year	-	-	6,161,288	7,665,086	20,483,392	14,659,591	13,710,463	3,025,886	-	65,705,706	62,108,296
Amortization	-	-	254,835	505,747	1,044,039	1,188,967	872,934	167,740	-	4,034,262	3,685,092
Disposals	-	-	-	(269,247)	-	-	-	-	-	(269,247)	(87,682)
Accumulated amortization, end of year	-	-	6,416,123	7,901,586	21,527,431	15,848,558	14,583,397	3,193,626	-	69,470,721	65,705,706
Net carrying amount, end of year	\$ 14,509,931	\$ 4,954,255	\$ 5,744,459	\$ 4,773,019	\$ 12,178,498	\$ 37,519,763	\$ 23,534,019	\$ 7,262,640	\$ 3,361,841	\$ 113,838,425	\$ 114,330,368

The net book value of tangible capital assets, not being amortized as they are under construction or development or have been removed from service is \$3,361,841 (2018 - \$2,213,564). Contributed infrastructure tangible capital assets with a value of \$8,150 were recognized in the financial statements during the year (2018 - \$12,500). Asset additions include \$2,300,047 of work in progress transfers from 2018 (2018 - \$10,614,113). Net cash additions for 2019 are \$4,759,180 (2018 - \$5,005,800).

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

10. Accumulated surplus

The District segregates its accumulated surplus in the following categories:

	2019	2018
Current funds	\$ 13,879,035	\$ 11,375,167
Community Works	2,790,104	1,968,693
Net current funds	16,669,139	13,343,860
Investment in tangible capital assets	98,428,550	96,822,935
Statutory reserve funds (Note 11)	4,769,480	3,106,539
	\$119,867,169	\$113,273,334

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets, net of associated long-term debt.

Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

	Opening balance	Transfer receipts	Interest earned	Expenditure	Ending balance
Community Works	\$ 1,968,693	1,097,577	35,731	(311,897)	\$ 2,790,104

11. Statutory reserve funds

	Opening balance	Contributions received	Investment income	Expenditure	Ending balance
Land sale	\$ 868,194	\$ 1,985,710	\$ 34,104	\$ (785,864)	\$ 2,102,144
Capital works	1,399,726	494,346	22,746	(287,140)	1,629,678
Parking	81,484	18,000	1,369	-	100,853
Asset management	757,135	616,441	12,719	(449,490)	936,805
	\$ 3,106,539	\$ 3,114,497	\$ 70,938	\$(1,522,494)	\$ 4,769,480

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

12. Taxation, net

	2019	2018
Property taxes and payments-in-lieu	\$ 11,448,838	\$ 11,045,167
Collections for other governments		
Province of British Columbia - school tax	5,388,656	5,223,389
Regional District	826,142	767,406
Regional Hospital District	865,219	860,377
Municipal Finance Authority	669	616
British Columbia Assessment Authority	134,502	130,670
Okanagan Regional Library	499,720	491,613
	19,163,746	18,519,238
Transfers		
Province of British Columbia - school tax	5,388,656	5,223,389
Regional District	826,142	767,406
Regional Hospital District	865,219	860,377
Municipal Finance Authority	669	616
British Columbia Assessment Authority	134,502	130,670
Okanagan Regional Library	499,720	491,613
	7,714,908	7,474,071
Available for general municipal purposes	\$ 11,448,838	\$ 11,045,167

13. Government transfers

	2019	2018
Provincial Transfers		
Small community grants	\$ 363,055	\$ 366,070
Traffic fine revenue sharing	66,825	67,476
Community Works	1,133,309	585,724
Capital grants	858,583	1,231,236
Other contributions	264,654	633,901
	2,686,426	2,884,407
Regional transfers		
Okanagan Basin Water Board	272,939	370,139
Total government transfer revenues	\$ 2,959,365	\$ 3,254,546

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

14. Contingent liabilities and commitments

- (a) The District is responsible, as a member of the Regional District of the Okanagan-Similkameen, for its proportion of any operating deficits or long-term debt related to functions in which it participates.
- (b) The District 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 are based on a formula. As at December 31, 2019, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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 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, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The District paid \$617,510 (2018 - \$614,818) for employer contributions while employees contributed \$538,552 (2018 - \$543,152) to the plan in fiscal 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

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.

- (c) A claim has been filed against the District in relation to claims for loss and compensation arising from a capital project undertaken by the District. The District and its lawyers have reviewed the claim and believe that the District did not trespass on the Property and the Plaintiffs have been fully compensated. At the date of the financial statements, neither the outcome nor the potential settlement can be foreseen. No provision has been made in the financial statements.

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

15. Funds held in trust

At the year end, the District held \$1,028,276 (2018 - \$1,025,701) in trust. Certain assets have been conveyed or assigned to the District to be administered as directed by agreement or statute. The District holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries. The following trust funds and assets are excluded from the District's financial statements:

	2019	2018
Summerland scholarship	\$ 25,044	\$ 25,763
Cemetery perpetual care	379,907	376,197
Abernethy memorial	81,229	80,018
Summerland education funding	542,096	543,723
	\$ 1,028,276	\$ 1,025,701

16. Annual budget

The financial statements have included the Annual Budget as approved by Council on April 15, 2019. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the financial statements and the annual financial plan bylaw:

	2019	2018
Annual surplus	\$ 14,836,393	\$ 2,613,731
Capital expenditures	(26,962,419)	(11,723,269)
Principal repayment of debt	(1,197,682)	(1,834,037)
Transfers from accumulated surplus	13,323,708	10,943,575
Net annual budget	\$ -	\$ -

17. Subsequent Event – Global Pandemic

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the District, its citizens, employees, suppliers and other third-party business associates that could impact the timing and amounts realized on the District's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the District is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The District's ability to continue delivering non-essential services and employ related staff, will depend on the legislative mandates from the various levels of government. The District will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

The Corporation of the District of Summerland
Notes to the Financial Statements
For the year ended December 31, 2019

18. Segmented information

The District is a municipal government which provides a wide range of services to the citizens and businesses for Summerland. The District is governed by an elected Council comprised of a Mayor and six Councilors whose authority is set in the *Community Charter* and *Local Government Act*. The District's operations and activities are organized and reported by Funds and departments. The General Fund reports on operations, funded primarily by property taxes, which include services provided by the District such as general government services, protective services, transportation services environmental services, health services planning and developmental services, parks and recreation services. The utility operations are comprised of the water, sewer and electrical systems, and each accounting for its own operations and programs within their own funds. Operating results of the following segments are reported as follows:

General Government services are comprised of a number of functions including Corporate Services and Finance which involves staff working closely with Council and community partners to coordinate the delivery of a wide range of functions and services. Corporate Services is responsible for Administration, Information Technology, Human Resources and Legislative Service functions. Finance is responsible for the collection of tax revenues, utility billing and all treasury and accounting functions. Revenues associated with this segment include all those amounts that cannot be directly attributed to other segments including taxation, grants in lieu, and interest revenue.

Protective services include police services under contract with the Royal Canadian Mounted Police, bylaw enforcement and animal control under contract to a third party, emergency measures services, and building inspection. Fire protection is provided by a composite department responsible for fire suppression, fire inspections and public education training.

Transportation services include equipment and civic building maintenance, occupational health and safety, and the maintenance of roads, signs, sidewalks, street lighting and storm drains. This segment is also responsible for the planning and implementation of the capital works program for all infrastructure as well as climate action program reporting.

Environmental services include garbage collection and recycling.

Health services include the operations related to cemetery functions.

Planning and Development services include all planning and building related process, long range and current planning, land use applications and economic development functions.

Parks and Recreation services include providing and coordinating leisure and recreational services, and maintaining recreational facilities, parks and trails.

Water services include the operating activities that relate to the treatment, distribution and maintenance of the water system including the Thirsk dam and water treatment plant.

Sewer services include the operating activities that relate to the collection and treatment of wastewater, maintenance of the related equipment including the wastewater treatment plant.

Electrical services include the operating activities that relate to power distribution and maintenance of the electrical system and related equipment.

The Corporation of the District of Summerland
Notes to Financial Statements
For the year ended December 31, 2019

18. Segmented information (continued)

	General Government Services	Protective Services	Transportation Services	Environmental Services	Health Services	Planning & Develop Services	Parks & Recreation Services	Water Services	Sewer Services	Electrical Services	Actual 2019
Revenue											
Property tax	\$ 9,179,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,179,613
Parcel tax	-	-	-	-	-	-	-	1,534,725	734,500	-	2,269,225
Government transfers	1,806,931	13,943	414,650	-	-	-	393,574	-	272,939	57,328	2,959,365
User fees, sales and rentals	167,676	3,848	26,170	1,798,079	40,635	-	837,747	3,863,343	1,419,476	11,872,529	20,029,503
Permits, licenses and fines	155,191	22,122	-	-	-	393,346	-	-	-	-	570,659
Investment income	345,831	-	-	-	-	-	-	-	-	-	345,831
Actuarial earnings	96,983	-	-	-	-	-	-	389,511	413,380	-	899,874
Penalties and interest on taxes	95,975	-	-	-	-	-	-	-	-	-	95,975
Franchise	98,261	-	-	-	-	-	-	-	-	-	98,261
Contributions from developers	33,150	-	-	-	-	-	205,060	66,436	24,810	638,175	967,631
Other	29,751	-	258,442	-	-	-	-	32,009	23,805	90,128	434,135
Gain (loss) on disposal	768,902	4,123	3,556	-	-	-	498	-	-	-	777,079
	<u>12,778,264</u>	<u>44,036</u>	<u>702,818</u>	<u>1,798,079</u>	<u>40,635</u>	<u>393,346</u>	<u>1,436,879</u>	<u>5,886,024</u>	<u>2,888,910</u>	<u>12,658,160</u>	<u>38,627,151</u>
Expenses											
Labour and benefits	1,218,942	930,048	1,273,311	309,860	51,349	413,299	1,639,199	1,112,880	608,017	923,872	8,480,777
Contracted services	474,620	1,479,544	1,289,034	1,100,234	20,905	356,803	637,855	669,515	198,823	322,590	6,549,923
Materials and supplies	177,267	128,281	(314,547)	35,360	9,013	3,193	491,179	1,214,777	533,529	9,022,430	11,300,482
Interest	-	131,250	104,817	-	-	-	-	348,485	314,130	-	898,682
Amortization	211,837	104,827	867,004	45,134	1,456	728	573,635	1,188,967	872,934	167,740	4,034,262
Other	13,246	1,223	1,712	735,327	-	-	-	17,532	150	-	769,190
	<u>2,095,912</u>	<u>2,775,173</u>	<u>3,221,331</u>	<u>2,225,915</u>	<u>82,723</u>	<u>774,023</u>	<u>3,341,868</u>	<u>4,552,156</u>	<u>2,527,583</u>	<u>10,436,632</u>	<u>32,033,316</u>
Annual surplus (deficit)	\$ 10,682,352	\$ (2,731,137)	\$ (2,518,513)	\$ (427,836)	\$ (42,088)	\$ (380,677)	\$ (1,904,989)	\$ 1,333,868	\$ 361,327	\$ 2,221,528	\$ 6,593,835

The Corporation of the District of Summerland
Notes to Financial Statements
For the year ended December 31, 2019

18. Segmented information (continued)

	General Government Services	Protective Services	Transportation Services	Environmental Services	Health Services	Planning & Develop Services	Parks & Recreation Services	Water Services	Sewer Services	Electrical Services	Actual 2018
Revenue											
Property tax	\$ 8,784,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,784,702
Parcel tax	-	-	-	-	-	-	-	1,530,165	730,300	-	2,260,465
Government transfers	1,198,915	-	425,425	-	-	-	71,426	357,737	1,117,398	83,645	3,254,546
User fees, sales and rentals	184,013	6,493	28,921	1,531,374	40,064	-	819,913	3,634,135	1,329,235	11,638,076	19,212,224
Permits, licenses and fines	153,576	24,012	-	-	-	382,091	-	-	-	-	559,679
Investment income	202,275	-	-	-	-	-	-	-	-	-	202,275
Actuarial earnings	84,836	-	-	-	-	-	-	350,482	379,856	-	815,174
Penalties and interest on taxes	97,533	-	-	-	-	-	-	-	-	-	97,533
Franchise	107,366	-	-	-	-	-	-	-	-	-	107,366
Contributions from developers	12,500	-	89,188	-	-	-	310,279	61,534	18,126	262,384	754,011
Other	73,996	-	58,329	-	-	-	-	25,700	8,353	109,661	276,039
Gain (loss) on disposal	-	-	14,193	-	-	399	-	-	-	(3,323)	11,269
	10,899,712	30,505	616,056	1,531,374	40,064	382,490	1,201,618	5,959,753	3,583,268	12,090,443	36,335,283
Expenses											
Labour and benefits	953,735	949,464	1,349,577	298,821	52,885	367,439	1,549,689	1,050,129	560,903	818,450	7,951,092
Contracted services	338,240	1,532,388	1,207,205	1,095,582	19,835	318,811	628,261	459,165	245,944	377,193	6,222,624
Materials and supplies	191,971	125,300	(166,089)	34,860	14,484	1,931	487,566	1,342,214	434,506	9,561,463	12,028,206
Interest	-	132,052	108,043	-	-	-	-	368,147	487,050	-	1,095,292
Amortization	85,217	108,338	949,936	36,993	1,982	661	482,895	1,128,319	711,149	179,603	3,685,093
Other	7,949	1,224	1,712	207,062	-	-	-	18,021	50	-	236,018
	1,577,112	2,848,766	3,450,384	1,673,318	89,186	688,842	3,148,411	4,365,995	2,439,602	10,936,709	31,218,325
Annual surplus (deficit)	\$ 9,322,600	\$ (2,818,261)	\$ (2,834,328)	\$ (141,944)	\$ (49,122)	\$ (306,352)	\$ (1,946,793)	\$ 1,593,758	\$ 1,143,666	\$ 1,153,734	\$ 5,116,958