

**The Corporation of the District of Summerland**  
**Consolidated Financial Statements**  
*For the year ended December 31, 2018*

# The Corporation of the District of Summerland

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*For the year ended December 31, 2018*

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## Management's Responsibility

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To the Mayor and Council of The Corporation of the District of Summerland:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards 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 consolidated 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 consolidated 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, and for approving the financial information included in the annual report. 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.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Mayor and Council to audit the consolidated financial statements 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 8, 2019



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Director of Finance

# Independent Auditor's Report

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To the Corporation of the District of Summerland:

## Opinion

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

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

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Kelowna, British Columbia

April 8, 2019

*MNP* **LLP**

Chartered Professional Accountants


**MNP**

**The Corporation of the District of Summerland**  
**Consolidated Statement of Financial Position**  
*As at December 31, 2018*

	2018	2017
<b>Financial assets</b>		
Cash and cash equivalents	9,480,319	9,657,169
Accounts receivable (Note 3)	7,982,531	8,369,458
Portfolio investments (Note 4)	8,466,138	6,669,139
Deposit - Municipal Finance Authority (Note 5)	640,511	626,872
	<b>26,569,499</b>	25,322,638
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	3,986,488	5,342,525
Landfill closure and post closure liability (Note 7)	650,658	443,596
Deferred revenue (Note 8)	6,026,085	5,146,945
Deposits	734,963	744,076
Long-term debt (Note 9)	17,507,422	19,731,749
	<b>28,905,616</b>	31,408,891
<b>Net debt</b>	<b>(2,336,117)</b>	(6,086,253)
<b>Non-financial assets</b>		
Tangible capital assets (Note 10)	114,330,368	113,000,483
Prepays	235,158	290,357
Inventories of supplies	1,043,926	951,789
	<b>115,609,452</b>	114,242,629
<b>Accumulated surplus</b> (Note 11)	<b>113,273,334</b>	108,156,376

Contingent liabilities and commitments (Note 15)

  
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 Director of Finance

  
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 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**  
**Consolidated Statement of Operations and Accumulated Surplus**  
*For the year ended December 31, 2018*

	Budget (Note 17)	<b>2018</b>	2017
<b>Revenue</b>			
Taxation - net (Note 13)	11,059,386	<b>11,045,167</b>	10,732,701
Government transfers (Note 14)	3,557,719	<b>3,254,546</b>	7,786,595
User fees, sales and rentals	19,660,709	<b>19,212,224</b>	18,977,945
Permits, licenses and fines	568,290	<b>559,679</b>	557,515
Investment income	125,000	<b>202,275</b>	170,801
Actuarial earnings	815,175	<b>815,174</b>	733,947
Penalties and interest on taxes	100,000	<b>97,533</b>	106,320
Franchise	107,366	<b>107,366</b>	84,109
Contributions	1,033,000	<b>754,011</b>	588,791
Other	1,302,589	<b>276,039</b>	176,423
Gain on disposal of tangible capital assets	-	<b>11,269</b>	84,809
	<b>38,329,234</b>	<b>36,335,283</b>	39,999,956
<b>Expenses</b>			
General government services	1,839,546	<b>1,577,112</b>	1,307,969
Protection services	3,109,476	<b>2,848,766</b>	2,663,987
Transportation services	4,851,984	<b>3,450,384</b>	3,707,523
Environmental services	1,730,614	<b>1,673,318</b>	994,366
Health services	986,394	<b>89,186</b>	105,846
Planning and development	123,096	<b>688,842</b>	671,508
Parks and recreation	3,330,363	<b>3,148,411</b>	2,783,317
Water services	5,090,104	<b>4,365,995</b>	4,241,022
Sewer services	3,080,848	<b>2,439,602</b>	2,479,205
Electrical services	11,573,078	<b>10,936,709</b>	10,752,744
	<b>35,715,503</b>	<b>31,218,325</b>	29,707,487
<b>Annual surplus</b>	2,613,731	<b>5,116,958</b>	10,292,469
<b>Accumulated surplus, beginning of year</b>	108,156,376	<b>108,156,376</b>	97,863,907
<b>Accumulated surplus, end of year</b>	110,770,107	<b>113,273,334</b>	108,156,376

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

**The Corporation of the District of Summerland**  
**Consolidated Statement of Changes in Net Debt**  
*For the year ended December 31, 2018*

	Budget (Note 17)	2018	2017
<b>Annual surplus</b>	2,613,731	<b>5,116,958</b>	10,292,469
Acquisition of tangible capital assets	(11,723,269)	<b>(5,018,300)</b>	(11,287,804)
Amortization of tangible capital assets	4,738,000	<b>3,685,092</b>	3,653,007
Gain on disposal of tangible capital assets	-	<b>(11,269)</b>	(84,809)
Proceeds on sale of tangible capital assets	-	<b>14,592</b>	93,478
	(4,371,538)	<b>3,787,073</b>	2,666,341
Change in prepaids	-	<b>55,199</b>	31,573
Change in inventory of supplies	-	<b>(92,136)</b>	140,528
Decrease in net debt	(4,371,538)	<b>3,750,136</b>	2,838,442
<b>Net debt, beginning of year</b>	(6,086,253)	<b>(6,086,253)</b>	(8,924,695)
<b>Net debt, end of year</b>	(10,457,791)	<b>(2,336,117)</b>	(6,086,253)

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



**The Corporation of the District of Summerland**  
**Consolidated Statement of Cash Flows**  
*For the year ended December 31, 2018*

	2018	2017
<b>Operating transactions</b>		
Annual surplus	5,116,958	10,292,469
<b>Items not involving cash</b>		
Amortization	3,685,092	3,653,007
Gain on disposal of tangible capital assets	(11,269)	(84,809)
Landfill closure and post closure costs	207,062	(177,637)
Contributed assets	(12,500)	(17,220)
	<b>3,868,385</b>	<b>3,373,341</b>
<b>Changes in non-cash operating balances</b>		
Accounts receivable	386,927	(5,018,022)
Prepays	55,199	31,573
Inventories of supplies	(92,136)	140,528
Accounts payable and accrued liabilities	(1,356,037)	1,651,487
Deferred revenue	879,140	230,145
Actuarial reduction of long-term debt	(815,174)	(733,947)
Deposit - Municipal Finance Authority	(13,639)	(11,991)
Deposits refunded	(9,113)	(84,142)
	<b>(964,833)</b>	<b>(3,794,369)</b>
	<b>8,020,510</b>	<b>9,871,441</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(5,018,300)	(11,287,804)
Contributed capital assets	12,500	17,220
Proceeds on disposal of tangible capital assets	14,592	93,478
	<b>(4,991,208)</b>	<b>(11,177,106)</b>
<b>Investing transactions</b>		
Acquisition of portfolio investments	(1,796,999)	(191,631)
<b>Financing transactions</b>		
Repayment of long-term debt	(1,409,153)	(1,421,311)
Proceeds of long-term debt	-	35,102
Repayment of obligations under capital lease	-	(50,912)
	<b>(1,409,153)</b>	<b>(1,437,121)</b>
<b>Net change in cash and cash equivalents</b>	<b>(176,850)</b>	<b>(2,934,417)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>9,657,169</b>	<b>12,591,586</b>
<b>Cash and cash equivalents, end of year</b>	<b>9,480,319</b>	<b>9,657,169</b>

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 Consolidated Financial Statements

*For the year ended December 31, 2018*

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The Corporation of the District of Summerland (the "District") was incorporated under the laws of the Province of British Columbia in 1906. 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 consolidated financial statements of the District are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada. Significant accounting policies adopted by the District are as follows:

(a) Basis of consolidation

i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all the funds of the District, segregated into General, Protective, Transportation, Environmental, Health, Planning & Development, Parks & Recreation, Water Utility, Sewer Utility and Electrical Utility funds, and those of any local boards which are owned or controlled by the District and that are accountable for the administration of their financial affairs and resources to the District.

Interdepartmental and inter-organizational transactions and balances between these funds have been eliminated during consolidation.

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 consolidated 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 Consolidated Financial Statements

*For the year ended December 31, 2018*

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### 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 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.

(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 Consolidated Financial Statements**

*For the year ended December 31, 2018*

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**1. Significant accounting policies (continued)**

(h) Accounts receivable

Accounts are net of an allowance for doubtful accounts and therefore represent the amounts expected to be collected.

(i) 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.

(j) Inventory

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

(k) Long-term debt

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

(l) 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, 2018.

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.

(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.

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

*For the year ended December 31, 2018*

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**1. Significant accounting policies (continued)**

(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 Consolidated Financial Statements

For the year ended December 31, 2018

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### 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 accrued liabilities, estimated useful lives of tangible capital assets, valuation of accounts receivable, liability for landfill closure and post-closure and liability for contaminated sites.

### 2. Change in accounting policies

#### (a) Related Party Disclosures and Inter-Entity Transactions

Effective January 1, 2018, the District adopted the recommendations relating to PS 2200 *Related Party Disclosures* and PS 3420 *Inter-Entity Transactions*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the PSAB issued a new standard, PS 2200 *Related Party Disclosures* new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

There was no material impact on the financial statements of adopting the new Sections.

#### (b) Assets, Contingent Assets and Contractual Rights

Effective January 1, 2018, the District adopted the recommendations relating to PS 3210 *Assets*, PS 3320 *Contingent Assets*, and PS 3380 *Contractual Rights*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 *Assets* provides additional guidance to clarify the definition of assets set out in PS 1000 *Financial Statement Concepts*.

PS 3320 *Contingent Assets* establishes disclosure standards on contingent assets.

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

*For the year ended December 31, 2018*

**2. Change in accounting policies (continued)**

PS 3380 *Contractual Rights* establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the financial statements of adopting the new Sections.

**3. Accounts receivable**

	<b>2018</b>	2017
Property taxes	<b>563,960</b>	532,166
Utilities	<b>1,637,716</b>	1,724,749
Other governments	<b>5,122,198</b>	5,887,444
Trade and other	<b>713,200</b>	279,642
Allowance for doubtful accounts	<b>(54,543)</b>	(54,543)
	<b>7,982,531</b>	8,369,458

**4. Portfolio investments**

	<b>2018</b>	2017
Bond funds	<b>9,365</b>	9,111
Money Market funds	<b>67,410</b>	66,316
Guaranteed Investment Certificates	<b>8,389,363</b>	6,593,712
	<b>8,466,138</b>	6,669,139

The income from portfolio investments for the year was \$285,031 (2017 - \$208,004), where \$64,314 (2017 - \$48,034) has been deferred. The market value of the District's portfolio investments was \$8,465,848 (2017 - \$6,668,761).

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

*For the year ended December 31, 2018*

**5. 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	<b>2018</b>	2017
General fund	<b>179,202</b>	<b>83,920</b>	<b>263,122</b>	261,335
Water fund	<b>567,605</b>	<b>288,165</b>	<b>855,770</b>	849,633
Sewer fund	<b>384,107</b>	<b>268,426</b>	<b>652,533</b>	646,818
	<b>1,130,914</b>	<b>640,511</b>	<b>1,771,425</b>	1,757,786

**6. Accounts payable and accrued liabilities**

	<b>2018</b>	2017
Trade and other	<b>2,937,371</b>	4,251,555
Wages and benefits	<b>661,546</b>	685,336
Due to funds held in trust	<b>387,571</b>	405,634
	<b>3,986,488</b>	5,342,525



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

*For the year ended December 31, 2018*

**7. Landfill closure and post closure liability**

	2018	2017
Landfill closure costs	<b>413,112</b>	287,389
Landfill post closure costs	<b>237,546</b>	156,207
	<b>650,658</b>	443,596

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 m<sup>3</sup> of airspace in the landfill to be 49 years, closing in the year 2067. Landfill closure costs are estimated at \$413,112 (2017 - \$287,389). As at December 31, 2018, the landfill closure costs are fully funded.

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 \$237,546 for 2018 (2017 - \$156,207) based on 15.9% (2017 – 14.4%) of the landfill capacity used to this date and a 49-year lifespan to 2067 and a discount rate of 1.46% (2017 – 1.97%). Post closure costs are expected to be funded by annual budget appropriations in the years in which they are incurred.

**8. Deferred revenue**

	Opening balance	Deferred transactions	Externally restricted investment income	Revenue recognized	<b>2018 Ending balance</b>
Development cost charges	3,916,503	284,644	64,314	(1,180)	<b>4,264,281</b>
Property taxes and business licenses	1,230,442	1,794,689	-	(1,263,327)	<b>1,761,804</b>
	5,146,945	2,079,333	64,314	(1,264,507)	<b>6,026,085</b>

**The Corporation of the District of Summerland**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2018*

**9. Long-term debt**

	<b>2018</b>	2017
Outstanding debt, beginning of year	<b>19,731,749</b>	21,851,905
Repayment of debt	<b>(1,409,153)</b>	(1,421,311)
Actuarial reduction of principal	<b>(815,174)</b>	(733,947)
New Borrowing	-	35,102
Outstanding debt, end of year	<b>17,507,422</b>	19,731,749

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

	<b>General Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
2019	299,332	1,046,212	752,012	<b>2,097,556</b>
2020	311,999	1,008,358	708,715	<b>2,029,072</b>
2021	325,206	1,046,941	741,935	<b>2,114,082</b>
2022	258,736	1,087,007	776,734	<b>2,122,477</b>
2023	269,086	1,128,611	813,187	<b>2,210,884</b>
2024 and thereafter	2,431,431	3,645,693	856,227	<b>6,933,351</b>
	3,895,790	8,962,822	4,648,810	<b>17,507,422</b>

**The Corporation of the District of Summerland**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2018

**9. Long-term debt (continued)**

Bylaw Number	Purpose	Year Maturing	% Rate	2018 Cash Payments		Balance Outstanding	
				Interest	Principal	2018	2017
<b>General fund</b>							
00-083	Road Improvements	2026	1.750	17,500	30,242	<b>218,520</b>	284,536
00-083	Road Improvements	2030	4.500	90,000	67,163	<b>1,381,140</b>	1,469,523
00-399	RCMP Building	2030	4.200	131,250	104,943	<b>2,296,130</b>	2,428,916
Oct 15/13	Prairie Valley Road	2018	variable	3,753	200,000	-	200,000
EF0001-0	Caterpillar Wheel Loader	2018	1.35	16	6,556	-	6,556
EF0001-0	Bomford Motor	2018	1.35	33	4,916	-	4,916
				242,552	413,820	<b>3,895,790</b>	4,394,447
<b>Water fund</b>							
99-039	Water works upgrade	2019	2.100	21,000	33,150	<b>75,009</b>	146,771
00-161	Water works upgrade	2025	4.170	108,000	220,570	<b>2,632,741</b>	2,959,721
00-213	Thirsk Dam Expansion	2026	1.750	105,000	201,490	<b>2,972,443</b>	3,282,628
00-195	Water works upgrade	2027	2.25	135,000	201,491	<b>3,282,629</b>	3,580,884
				369,000	656,701	<b>8,962,822</b>	9,970,004
<b>Sewer fund</b>							
98-034	Sewer System construction	2023	2.650	418,500	188,572	<b>2,764,683</b>	3,241,195
99-040	Sewer System construction	2019	2.100	21,000	33,149	<b>75,009</b>	146,771
00-192	Sewer System construction	2025	4.170	14,400	29,409	<b>351,032</b>	394,630
00-207	Sewer System construction	2026	1.750	35,000	67,164	<b>990,814</b>	1,094,209
00-192	Sewer System construction	2029	4.130	8,260	6,717	<b>128,922</b>	138,114
16-023	Sewer System construction	2036	2.100	7,686	13,621	<b>338,350</b>	352,379
				504,846	338,632	<b>4,648,810</b>	5,367,298
				1,116,398	1,409,153	<b>17,507,422</b>	19,731,749

**The Corporation of the District of Summerland**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2018

**10. Tangible capital assets**

	Land	Land Improvements	Buildings	Machinery and Equipment	Roads and Sidewalks	Water Utility	Sewer Utility	Electric Utility	Work in Progress	2018 Total	2017 Total
Cost, beg. of year	15,730,029	3,730,848	12,069,239	10,572,094	29,740,154	48,791,919	34,501,866	9,699,208	10,273,422	<b>175,108,779</b>	163,843,229
Additions	-	604,150	46,047	937,077	3,503,310	4,318,976	3,369,431	299,167	2,554,255	<b>15,632,413</b>	11,926,552
Disposals	-	-	-	(80,000)	-	-	-	(11,005)	(10,614,113)	<b>(10,705,118)</b>	(661,002)
Cost, end 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	<b>180,036,074</b>	175,108,779
Accumulated amortization, beg. of year	-	-	5,907,987	7,259,679	19,556,078	13,531,272	12,999,315	2,853,965	-	<b>62,108,296</b>	58,468,874
Amortization	-	-	253,301	485,407	927,314	1,128,319	711,148	179,603	-	<b>3,685,092</b>	3,653,007
Disposals	-	-	-	(80,000)	-	-	-	(7,682)	-	<b>(87,682)</b>	(13,585)
Accumulated amortization, end of year	-	-	6,161,288	7,665,086	20,483,392	14,659,591	13,710,463	3,025,886	-	<b>65,705,706</b>	62,108,296
Net carrying amount, end of year	15,730,029	4,334,998	5,953,998	3,764,085	12,760,072	38,451,304	24,160,834	6,961,484	2,213,564	<b>114,330,368</b>	113,000,483

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 \$2,213,564 (2017 - \$10,273,422). Contributed infrastructure tangible capital assets with a value of \$12,500 were recognized in the consolidated financial statements during the year (2017 - \$17,220). Asset additions include \$10,614,113 of work in progress transfers from 2017 (2017 - \$637,357). Net cash additions for 2018 are \$5,005,800 (2017 - \$11,270,584).

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

*For the year ended December 31, 2018*

**11. Accumulated surplus**

The District segregates its accumulated surplus in the following categories:

	2018	2017
Current funds	<b>11,375,167</b>	9,725,936
Community Works	<b>1,968,693</b>	2,124,927
Net current funds	<b>13,343,860</b>	11,850,863
Investment in tangible capital assets	<b>96,822,935</b>	93,268,724
Statutory reserve funds (Note 12)	<b>3,106,539</b>	3,036,789
	<b>113,273,334</b>	108,156,376

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

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	2,124,927	553,542	32,182	(741,958)	<b>1,968,693</b>

**12. Statutory reserve funds**

	Opening balance	Contributions received	Investment income	Expenditure	Ending balance
Tax sale	7,207	-	-	(7,207)	-
Land sale	1,063,247	-	15,184	(210,237)	<b>868,194</b>
Capital works	1,144,479	310,345	19,416	(74,514)	<b>1,399,726</b>
Parking	77,236	3,000	1,248	-	<b>81,484</b>
Asset management	744,620	326,509	11,806	(325,800)	<b>757,135</b>
	<b>3,036,789</b>	<b>639,854</b>	<b>47,654</b>	<b>(617,758)</b>	<b>3,106,539</b>

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

*For the year ended December 31, 2018*

**13. Taxation, net**

	2018	2017
Property taxes and payments-in-lieu	<b>11,045,167</b>	10,732,701
Collections for other governments		
Province of British Columbia - school tax	<b>5,223,389</b>	5,115,183
Regional District	<b>767,406</b>	741,237
Regional Hospital District	<b>860,377</b>	823,038
Municipal Finance Authority	<b>616</b>	543
British Columbia Assessment Authority	<b>130,670</b>	124,428
Okanagan Regional Library	<b>491,613</b>	469,414
	<b>18,519,238</b>	18,006,544
 Transfers		
Province of British Columbia - school tax	<b>5,223,389</b>	5,115,183
Regional District	<b>767,406</b>	741,237
Regional Hospital District	<b>860,377</b>	823,038
Municipal Finance Authority	<b>616</b>	543
British Columbia Assessment Authority	<b>130,670</b>	124,428
Okanagan Regional Library	<b>491,613</b>	469,414
	<b>7,474,071</b>	7,273,843
 Available for general municipal purposes	<b>11,045,167</b>	10,732,701

**14. Government transfers**

	2018	2017
Provincial Transfers		
Small community grants	<b>366,070</b>	364,770
Traffic fine revenue sharing	<b>67,476</b>	59,511
Community Works	<b>585,724</b>	556,997
Capital grants	<b>1,231,236</b>	5,768,137
Other contributions	<b>633,901</b>	667,041
	<b>2,884,407</b>	7,416,456
 Regional transfers		
Okanagan basin water board	<b>370,139</b>	370,139
	<b>370,139</b>	370,139
 Total government transfer revenues	<b>3,254,546</b>	7,786,595

# The Corporation of the District of Summerland

## Notes to the Consolidated Financial Statements

*For the year ended December 31, 2018*

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### 15. 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, 2018, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and 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 Corporation of the District of Summerland paid \$614,818 (2017 - \$578,269) for employer contributions while employees contributed \$543,152 (2017 - \$507,818) 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 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 consolidated financial statements, neither the outcome nor the potential settlement can be foreseen. No provision has been made in the consolidated financial statements.

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

*For the year ended December 31, 2018*

**16. Funds held in trust**

At the year end, the District held \$1,025,701 (2017 - \$1,030,801) 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 consolidated financial statements:

	<b>2018</b>	2017
Summerland scholarship	<b>25,763</b>	26,452
Cemetery perpetual care	<b>376,197</b>	373,577
Abernethy memorial	<b>80,018</b>	78,770
Summerland education funding	<b>543,723</b>	552,002
	<b>1,025,701</b>	1,030,801

**17. Annual budget**

The financial statements have included the Annual Budget as approved by Council on April 9, 2018. 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:

	<b>2018</b>	2017
Annual surplus	<b>2,613,731</b>	9,200,841
Capital expenditures	<b>(11,723,269)</b>	(19,476,915)
Principal repayment of debt	<b>(1,834,037)</b>	(1,470,866)
Transfers from accumulated surplus	<b>10,943,575</b>	9,690,940
Borrowing proceeds	-	2,056,000
	-	-

**18. Subsequent Event**

On February 15, 2019 the District entered into a Contract of Purchase and Sale relating to the disposition of two parcels of District owned land located at 12801 and 12871 Kelly Avenue at a sale price of \$1,989,000.

**19. Comparative figures**

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.



# The Corporation of the District of Summerland

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

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### 20. Segmented information

The Corporation of the District of Summerland 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 Consolidated Financial Statements**

For the year ended December 31, 2018

**20. 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
<b>Revenue</b>											
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
	<b>10,899,712</b>	<b>30,505</b>	<b>616,056</b>	<b>1,531,374</b>	<b>40,064</b>	<b>382,490</b>	<b>1,201,618</b>	<b>5,959,753</b>	<b>3,583,268</b>	<b>12,090,443</b>	<b>36,335,283</b>
<b>Expenses</b>											
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
	<b>1,577,112</b>	<b>2,848,766</b>	<b>3,450,384</b>	<b>1,673,318</b>	<b>89,186</b>	<b>688,842</b>	<b>3,148,411</b>	<b>4,365,995</b>	<b>2,439,602</b>	<b>10,936,709</b>	<b>31,218,325</b>
<b>SURPLUS (DEFICIT) for the year</b>	<b>9,322,600</b>	<b>(2,818,261)</b>	<b>(2,834,328)</b>	<b>(141,944)</b>	<b>(49,122)</b>	<b>(306,352)</b>	<b>(1,946,793)</b>	<b>1,593,758</b>	<b>1,143,666</b>	<b>1,153,734</b>	<b>5,116,958</b>

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

For the year ended December 31, 2018

**20. 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 2017
<b>Revenue</b>											
Property tax	8,474,661	-	-	-	-	-	-	-	-	-	8,474,661
Parcel tax	-	-	-	-	-	-	-	1,528,740	729,300	-	2,258,040
Government transfers	1,143,944	-	415,291	-	-	-	-	3,841,865	2,369,140	16,355	7,786,595
User fees, sales and rentals	196,714	4,572	30,602	1,397,295	47,340	-	817,882	3,470,820	1,241,407	11,771,313	18,977,945
Permits, licenses and fines	147,414	22,849	-	-	-	387,252	-	-	-	-	557,515
Investment income	160,381	-	-	-	-	-	-	5,395	5,025	-	170,801
Actuarial earnings	73,186	-	-	-	-	-	-	312,916	347,845	-	733,947
Penalties and interest on taxes	106,320	-	-	-	-	-	-	-	-	-	106,320
Franchise	84,109	-	-	-	-	-	-	-	-	-	84,109
Contributions from developers	139,720	-	-	-	-	-	5,394	190,527	22,643	230,507	588,791
Other	34,595	-	36,170	-	-	-	-	21,856	15,264	68,538	176,423
Gain (loss) on disposal	-	-	-	-	-	93,478	-	-	-	(8,669)	84,809
	<b>10,561,044</b>	<b>27,421</b>	<b>482,063</b>	<b>1,397,295</b>	<b>47,340</b>	<b>480,730</b>	<b>823,276</b>	<b>9,372,119</b>	<b>4,730,624</b>	<b>12,078,044</b>	<b>39,999,956</b>
<b>Expenses</b>											
Labour and benefits	800,464	845,996	1,258,864	176,146	61,470	375,476	1,455,404	1,003,998	528,701	780,131	7,286,650
Contracted services	295,010	1,436,535	1,258,015	942,069	23,485	286,881	596,595	392,702	272,204	299,493	5,802,989
Materials and supplies	129,861	113,480	(92,741)	31,664	17,434	7,768	490,724	1,208,513	432,163	9,497,882	11,836,748
Interest	-	120,875	120,875	-	-	-	-	492,103	535,241	-	1,269,094
Amortization	76,050	145,878	1,160,798	22,124	3,457	1,383	240,594	1,116,789	710,696	175,238	3,653,007
Other	6,584	1,223	1,712	(177,637)	-	-	-	26,917	200	-	(141,001)
	<b>1,307,969</b>	<b>2,663,987</b>	<b>3,707,523</b>	<b>994,366</b>	<b>105,846</b>	<b>671,508</b>	<b>2,783,317</b>	<b>4,241,022</b>	<b>2,479,205</b>	<b>10,752,744</b>	<b>29,707,487</b>
<b>SURPLUS (DEFICIT) for the year</b>	<b>9,253,075</b>	<b>(2,636,566)</b>	<b>(3,225,460)</b>	<b>402,929</b>	<b>(58,506)</b>	<b>(190,778)</b>	<b>(1,960,041)</b>	<b>5,131,097</b>	<b>2,251,419</b>	<b>1,325,300</b>	<b>10,292,469</b>