

**The Corporation of the District of Summerland**  
**Consolidated Financial Statements**  
*For the year ended December 31, 2017*

# The Corporation of the District of Summerland

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*For the year ended December 31, 2017*

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## Management's Responsibility

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

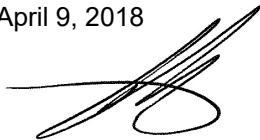
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual 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 9, 2018



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Director of Finance

## Independent Auditors' Report

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

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

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

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

Kelowna, British Columbia

April 9, 2018, except for Note 18 which is at June 11, 2018

*MNP* LLP

Chartered Professional Accountants

**The Corporation of the District of Summerland**  
**Consolidated Statement of Financial Position**  
*As at December 31, 2017*

	2017	2016
<b>Financial assets</b>		
Cash and cash equivalents	9,657,169	12,591,586
Accounts receivable (Note 2)	8,369,458	3,351,436
Portfolio investments (Note 3)	6,669,139	6,477,508
Deposit - Municipal Finance Authority (Note 4)	626,872	614,881
	<b>25,322,638</b>	23,035,411
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	5,342,525	3,691,038
Landfill closure and post closure liability (Note 6)	443,596	621,233
Deferred revenue (Note 7)	5,146,945	4,916,800
Deposits	744,076	828,218
Long-term debt (Note 8)	19,731,749	21,851,905
Obligations under capital lease	-	50,912
	<b>31,408,891</b>	31,960,106
<b>Net debt</b>	<b>(6,086,253)</b>	(8,924,695)
<b>Non-financial assets</b>		
Tangible capital assets (Note 9)	113,000,483	105,374,355
Prepays	290,357	321,930
Inventories of supplies	951,789	1,092,317
	<b>114,242,629</b>	106,788,602
<b>Accumulated surplus (Note 10)</b>	<b>108,156,376</b>	97,863,907

Contingent liabilities and commitments (Note 14)

  
 \_\_\_\_\_  
 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, 2017*

	Budget (Note 16)	<b>2017</b>	2016
<b>Revenue</b>			
Taxation - net (Note 12)	10,717,725	<b>10,732,701</b>	10,280,410
Government transfers (Note 13)	11,055,978	<b>7,786,595</b>	1,765,317
User fees, sales and rentals	17,958,336	<b>18,977,945</b>	17,390,174
Permits, licenses and fines	492,960	<b>557,515</b>	505,240
Investment income	125,000	<b>170,801</b>	198,657
Actuarial earnings	733,948	<b>733,947</b>	702,624
Penalties and interest on taxes	100,000	<b>106,320</b>	110,884
Franchise	84,109	<b>84,109</b>	90,496
Contributions	910,394	<b>588,791</b>	151,673
Other	1,036,634	<b>176,423</b>	174,841
Gain on disposal of tangible capital assets	-	<b>84,809</b>	587,889
	43,215,084	<b>39,999,956</b>	31,958,205
<b>Expenses</b>			
General government services	1,614,067	<b>1,307,969</b>	1,173,119
Protection services	2,964,232	<b>2,663,987</b>	2,614,711
Transportation services	4,682,396	<b>3,707,523</b>	3,029,040
Environmental services	1,444,338	<b>994,366</b>	1,292,074
Health services	969,020	<b>105,846</b>	114,543
Planning and development	150,268	<b>671,508</b>	616,720
Parks and recreation	2,995,687	<b>2,783,317</b>	2,479,364
Water services	5,414,483	<b>4,241,022</b>	4,110,689
Sewer services	3,213,707	<b>2,479,205</b>	2,388,536
Electrical services	10,566,045	<b>10,752,744</b>	9,936,787
	34,014,243	<b>29,707,487</b>	27,755,583
<b>Annual surplus</b>	9,200,841	<b>10,292,469</b>	4,202,622
<b>Accumulated surplus, beginning of year</b>	97,863,907	<b>97,863,907</b>	93,661,285
<b>Accumulated surplus, end of year</b>	107,064,748	<b>108,156,376</b>	97,863,907

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, 2017*

	Budget (Note 16)	2017	2016
<b>Annual surplus</b>	9,200,841	<b>10,292,469</b>	4,202,622
Acquisition of tangible capital assets	(19,476,915)	<b>(11,287,804)</b>	(1,928,750)
Amortization of tangible capital assets	4,955,000	<b>3,653,007</b>	3,604,124
Gain on disposal of tangible capital assets	-	<b>(84,809)</b>	(587,889)
Proceeds on sale of tangible capital assets	-	<b>93,478</b>	698,496
	(5,321,074)	<b>2,666,341</b>	5,988,603
Change in prepaids	-	<b>31,573</b>	(16,121)
Change in inventory of supplies	-	<b>140,528</b>	95,816
Decrease in net debt	(5,321,074)	<b>2,838,442</b>	6,068,298
<b>Net debt, beginning of year</b>	(8,924,695)	<b>(8,924,695)</b>	(14,992,993)
<b>Net debt, end of year</b>	(14,245,769)	<b>(6,086,253)</b>	(8,924,695)

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, 2017*

	2017	2016
<b>Operating transactions</b>		
Annual surplus	10,292,469	4,202,622
<b>Items not involving cash</b>		
Amortization	3,653,007	3,604,124
Gain on disposal of tangible capital assets	(84,809)	(587,889)
Landfill closure and post closure costs	(177,637)	202,222
Contributed assets	(17,220)	-
	<b>3,373,341</b>	<b>3,218,457</b>
<b>Changes in non-cash operating balances</b>		
Accounts receivable	(5,018,022)	(373,582)
Prepays	31,573	(16,121)
Inventories of supplies	140,528	95,816
Accounts payable and accrued liabilities	1,651,487	(265,355)
Deferred revenue	230,145	319,102
Actuarial reduction of long-term debt	(733,947)	(702,624)
Deposit - Municipal Finance Authority	(11,991)	5,179
Deposits received (refunded)	(84,142)	130,646
	<b>(3,794,369)</b>	<b>(806,939)</b>
	<b>9,871,441</b>	<b>6,614,140</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(11,270,584)	(1,928,750)
Proceeds on disposal of tangible capital assets	93,478	698,496
	<b>(11,177,106)</b>	<b>(1,230,254)</b>
<b>Investing transactions</b>		
Disposal (acquisition) of portfolio investments	(191,631)	4,445,795
<b>Financing transactions</b>		
Repayment of long-term debt	(1,421,311)	(1,414,303)
Proceeds of long-term debt	35,102	366,000
Repayment of obligations under capital lease	(50,912)	(76,305)
	<b>(1,437,121)</b>	<b>(1,124,608)</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,934,417)</b>	<b>8,705,073</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>12,591,586</b>	<b>3,886,513</b>
<b>Cash and cash equivalents, end of year</b>	<b>9,657,169</b>	<b>12,591,586</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, 2017*

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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, 2017*

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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, 2017*

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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, 2017.

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, 2017*

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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, 2017

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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.

(o) Recent accounting pronouncements

(i) PS 2200 *Related Party Disclosures*

In 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.

This 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.

This Section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted. The District does not expect application of the new Standard to have a material effect on the financial statements.

(ii) PS 3210 *Assets*

In June 2015, new PS 3210 Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.

The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

# The Corporation of the District of Summerland

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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### 1. Significant accounting policies (continued)

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries. An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

#### (iii) PS 3320 *Contingent Assets*

In June 2015, new PS 3320 Contingent Assets was included in the CPA Canada Public Sector Accounting Handbook. The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Passing legislation that has retroactive application after the consolidated financial statement date cannot create an existing condition or situation at the consolidated financial statement date.

Elected or public sector entity officials announcing public sector entity intentions after the consolidated financial statement date cannot create an existing condition or situation at the consolidated financial statement date.

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The Standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

#### (iv) PS 3380 *Contractual Rights*

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook. This new Section 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 Standard are as follows:

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

*For the year ended December 31, 2017*

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

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.

Disclosures should include descriptions about nature, extent, and timing.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**2. Accounts receivable**

	2017	2016
Property taxes	<b>532,166</b>	699,743
Utilities	<b>1,724,749</b>	1,762,822
Other governments	<b>5,887,444</b>	537,113
Development cost charges	-	68,749
Trade and other	<b>225,099</b>	283,009
	<b>8,369,458</b>	3,351,436

**3. Portfolio investments**

	2017	2016
Cash and bond funds	<b>9,111</b>	8,930
Money Market funds	<b>66,316</b>	65,677
Guaranteed Investment Certificates	<b>6,593,712</b>	6,402,901
	<b>6,669,139</b>	6,477,508

The income from portfolio investments for the year was \$208,004 (2016 - \$215,797), where \$48,034 (2016 - \$41,013) has been deferred. The market value of the District's portfolio investments was \$6,668,761 (2016 - \$6,477,508).

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

*For the year ended December 31, 2017*

**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	<b>2017</b>	2016
General fund	<b>179,202</b>	<b>82,133</b>	<b>261,335</b>	259,764
Water fund	<b>567,605</b>	<b>282,028</b>	<b>849,633</b>	844,239
Sewer fund	<b>384,107</b>	<b>262,711</b>	<b>646,818</b>	641,792
	<b>1,130,914</b>	<b>626,872</b>	<b>1,757,786</b>	1,745,795

**5. Accounts payable and accrued liabilities**

	<b>2017</b>	2016
Trade and other	<b>4,251,555</b>	2,683,924
Wages and benefits	<b>685,336</b>	615,664
Due to funds held in trust	<b>405,634</b>	391,450
	<b>5,342,525</b>	3,691,038



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

*For the year ended December 31, 2017*

**6. Landfill closure and post closure liability**

	2017	2016
Landfill closure costs	<b>287,389</b>	383,708
Landfill post closure costs	<b>156,207</b>	237,525
	<b>443,596</b>	621,233

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 50 years, closing in the year 2067. Landfill closure costs are estimated at \$287,389 (2016 - \$383,708). As at December 31, 2017, 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 \$156,207 for 2017 (2016 - \$237,525) based on 14.4% (2016 – 12.9%) of the landfill capacity used to this date and a 50-year lifespan to 2067 and a discount rate of 1.97% (2016 – 1.12%). Post closure costs are expected to be funded by annual budget appropriations in the years in which they are incurred.

**7. Deferred revenue**

	Opening balance	Deferred transactions	Externally restricted investment income	Revenue recognized	<b>2017 Ending balance</b>
Development cost charges	3,808,928	67,516	48,034	(7,975)	<b>3,916,503</b>
Property taxes and business licenses	1,107,872	1,160,409	-	(1,037,839)	<b>1,230,442</b>
	4,916,800	1,227,925	48,034	(1,045,814)	<b>5,146,945</b>

**The Corporation of the District of Summerland**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2017*

**8. Long-term debt**

	2017	2016
Outstanding debt, beginning of year	<b>21,851,905</b>	23,602,832
Repayment of debt	<b>(1,421,311)</b>	(1,414,303)
Actuarial reduction of principal	<b>(733,947)</b>	(702,624)
New Borrowing	<b>35,102</b>	366,000
Outstanding debt, end of year	<b>19,731,749</b>	21,851,905

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

	General Fund	Water Fund	Sewer Fund	Total
2018	498,657	1,007,182	718,488	<b>2,224,327</b>
2019	299,332	1,046,212	752,012	<b>2,097,556</b>
2020	311,999	1,008,359	708,715	<b>2,029,073</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 and thereafter	2,700,517	4,774,303	1,669,414	<b>9,144,234</b>
	4,394,447	9,970,004	5,367,298	<b>19,731,749</b>

**The Corporation of the District of Summerland**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2017

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

Bylaw Number	Purpose	Year Maturing	% Rate	2017 Cash Payments		Balance Outstanding	
				Interest	Principal	2017	2016
<b>General fund</b>							
00-083	Road Improvements	2026	1.750	17,500	30,243	<b>284,536</b>	347,408
00-083	Road Improvements	2030	4.500	90,000	67,163	<b>1,469,523</b>	1,554,506
00-399	RCMP Building	2030	4.200	131,250	104,943	<b>2,428,916</b>	2,556,595
Oct 15/13	Prairie Valley Road	2018	variable	5,557	200,000	<b>200,000</b>	400,000
EF0001-0	Caterpillar Wheel Loader	2018	1.35	156	19,469	<b>6,556</b>	-
EF0001-0	Bomford Motor	2018	1.35	64	4,161	<b>4,916</b>	-
				<b>244,527</b>	<b>425,979</b>	<b>4,394,447</b>	<b>4,858,509</b>
<b>Water fund</b>							
99-039	Water works upgrade	2019	2.100	21,000	33,150	<b>146,771</b>	215,426
00-161	Water works upgrade	2025	4.170	108,000	220,570	<b>2,959,721</b>	3,275,644
00-213	Thirsk Dam Expansion	2026	1.750	192,300	201,490	<b>3,282,628</b>	3,580,883
00-195	Water works upgrade	2027	4.820	289,200	201,490	<b>3,580,884</b>	3,867,667
				<b>610,500</b>	<b>656,700</b>	<b>9,970,004</b>	<b>10,939,620</b>
<b>Sewer fund</b>							
98-034	Sewer System construction	2023	4.650	418,500	188,572	<b>3,241,195</b>	3,695,017
99-040	Sewer System construction	2019	2.100	21,000	33,149	<b>146,771</b>	215,426
00-192	Sewer System construction	2025	4.170	14,400	29,409	<b>394,630</b>	436,753
00-207	Sewer System construction	2026	1.750	64,100	67,164	<b>1,094,209</b>	1,193,628
00-192	Sewer System construction	2029	4.130	8,260	6,717	<b>138,114</b>	146,952
16-023	Sewer System construction	2036	2.100	7,686	13,621	<b>352,379</b>	366,000
				<b>533,946</b>	<b>338,632</b>	<b>5,367,298</b>	<b>6,053,776</b>
				<b>1,388,973</b>	<b>1,421,311</b>	<b>19,731,749</b>	<b>21,851,905</b>

**The Corporation of the District of Summerland**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2017

**9. Tangible capital assets**

	Land	Land Improvements	Buildings	Machinery and Equipment	Roads and Sidewalks	Water Utility	Sewer Utility	Electric Utility	Work in Progress	2017 Total	2016 Total
Cost, beg. of year	15,730,029	3,712,845	12,046,731	10,018,009	29,740,154	47,902,407	34,479,223	9,086,805	1,127,026	<b>163,843,229</b>	162,278,848
Additions	-	18,003	22,508	554,085	-	889,512	22,643	634,657	9,785,144	<b>11,926,552</b>	3,147,305
Disposals	-	-	-	-	-	-	-	(22,254)	(638,748)	<b>(661,002)</b>	(1,582,924)
Cost, end of year	<u>15,730,029</u>	<u>3,730,848</u>	<u>12,069,239</u>	<u>10,572,094</u>	<u>29,740,154</u>	<u>48,791,919</u>	<u>34,501,866</u>	<u>9,699,208</u>	<u>10,273,422</u>	<b><u>175,108,779</u></b>	<u>163,843,229</u>
Accumulated amortization, beg. of year	-	-	5,655,437	6,789,962	18,628,061	12,414,483	12,288,619	2,692,312	-	<b>58,468,874</b>	55,118,512
Amortization	-	-	252,550	469,717	928,017	1,116,789	710,696	175,238	-	<b>3,653,007</b>	3,604,124
Disposals	-	-	-	-	-	-	-	(13,585)	-	<b>(13,585)</b>	(253,762)
Accumulated amortization, end of year	-	-	<u>5,907,987</u>	<u>7,259,679</u>	<u>19,556,078</u>	<u>13,531,272</u>	<u>12,999,315</u>	<u>2,853,965</u>	-	<b><u>62,108,296</u></b>	<u>58,468,874</u>
Net carrying amount, end of year	<u>15,730,029</u>	<u>3,730,848</u>	<u>6,161,252</u>	<u>3,312,415</u>	<u>10,184,076</u>	<u>35,260,647</u>	<u>21,502,551</u>	<u>6,845,243</u>	<u>10,273,422</u>	<b><u>113,000,483</u></b>	<u>105,374,355</u>

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 \$10,273,422 (2016 - \$1,127,026). Contributed infrastructure tangible capital assets with a value of \$17,220 were recognized in the consolidated financial statements during the year (2016 - \$Nil). Asset additions include \$637,357 of work in progress transfers from 2016 (2016 - \$463,210). Net cash additions for 2017 are \$11,270,584 (2016 - \$1,928,750).

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

*For the year ended December 31, 2017*

**10. Accumulated surplus**

The District segregates its accumulated surplus in the following categories:

	2017	2016
Current funds	<b>9,725,936</b>	10,144,196
Community Works	<b>2,124,927</b>	1,567,930
Net current funds	<b>11,850,863</b>	11,712,126
Investment in tangible capital assets	<b>93,268,724</b>	83,471,538
Statutory reserve funds	<b>3,036,789</b>	2,680,243
	<b>108,156,376</b>	97,863,907

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	1,567,930	534,956	22,961	(920)	<b>2,124,927</b>

**11. Statutory reserve funds**

	Opening balance	Contributions received	Investment income	Expenditure	Ending balance
Tax sale	7,118	-	89	-	<b>7,207</b>
Land sale	1,225,114	-	14,228	(176,095)	<b>1,063,247</b>
Capital works	967,703	292,139	13,133	(128,496)	<b>1,144,479</b>
Parking	76,281	-	955	-	<b>77,236</b>
Asset management	404,027	333,451	7,142	-	<b>744,620</b>
	<b>2,680,243</b>	<b>625,590</b>	<b>35,547</b>	<b>(304,591)</b>	<b>3,036,789</b>

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

*For the year ended December 31, 2017*

**12. Taxation, net**

	2017	2016
Property taxes and payments-in-lieu	<b>10,732,701</b>	10,280,410
Collections for other governments		
Province of British Columbia - school tax	<b>5,115,183</b>	5,160,811
Regional District	<b>741,237</b>	632,292
Regional Hospital District	<b>823,038</b>	757,345
Municipal Finance Authority	<b>543</b>	487
British Columbia Assessment Authority	<b>124,428</b>	137,044
Okanagan Regional Library	<b>469,414</b>	464,488
	<b>18,006,544</b>	17,432,877
Transfers		
Province of British Columbia - school tax	<b>5,115,183</b>	5,160,811
Regional District	<b>741,237</b>	632,292
Regional Hospital District	<b>823,038</b>	757,345
Municipal Finance Authority	<b>543</b>	487
British Columbia Assessment Authority	<b>124,428</b>	137,044
Okanagan Regional Library	<b>469,414</b>	464,488
	<b>7,273,843</b>	7,152,467
Available for general municipal purposes	<b>10,732,701</b>	10,280,410

**13. Government transfers**

	2017	2016
Provincial Transfers		
Small community grants	<b>364,770</b>	360,638
Traffic fine revenue sharing	<b>59,511</b>	61,858
Community Works	<b>556,997</b>	528,343
Capital grants	<b>5,768,137</b>	395,071
Other contributions	<b>667,041</b>	32,364
	<b>7,416,456</b>	1,378,274
Regional transfers		
Okanagan basin water board	<b>370,139</b>	387,043
Total government transfer revenues	<b>7,786,595</b>	1,765,317

# The Corporation of the District of Summerland

## Notes to the Consolidated Financial Statements

*For the year ended December 31, 2017*

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### 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, 2017, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any 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 \$578,269 (2016 - \$524,533) for employer contributions while employees contributed \$507,818 (2016 - \$406,744) to the plan in fiscal 2017.

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, 2017*

**15. Funds held in trust**

At the year end, the District held \$1,030,801 (2016 - \$1,018,305) 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:

	2017	2016
Summerland scholarship	<b>26,452</b>	27,605
Cemetery perpetual care	<b>373,577</b>	365,293
Abernethy memorial	<b>78,770</b>	77,796
Summerland education funding	<b>552,002</b>	547,611
	<b>1,030,801</b>	1,018,305

**16. Annual budget**

The financial statements have included the Annual Budget as approved by Council on April 13, 2017. 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:

	2017	2016
Annual surplus	<b>9,200,841</b>	4,114,266
Capital expenditures	<b>(19,476,915)</b>	(7,794,731)
Principal repayment of debt	<b>(1,470,866)</b>	(2,116,927)
Transfers from accumulated surplus	<b>2,056,000</b>	5,074,501
Borrowing proceeds	<b>9,690,940</b>	722,891
	<b>-</b>	-
Net annual budget	-	-

**17. Comparative figures**

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

**18. Correction to previously issued financial statements**

The financial statements of December 31, 2017, issued under an independent audit report date April 9, 2018 were not the correct version approved by the District and have therefore been withdrawn and replaced with these financial statements under a double-dated independent audit report approved on June 11, 2018.



# The Corporation of the District of Summerland

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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### 19. 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, 2017

**19. 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>

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

For the year ended December 31, 2017

**19. 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 2016
<b>Revenue</b>											
Property tax	8,035,489	-	-	-	-	-	-	-	-	-	8,035,489
Parcel tax	-	-	-	-	-	-	-	1,509,930	734,991	-	2,244,921
Government transfers	950,839	4,364	28,000	-	-	-	-	395,071	387,043	-	1,765,317
User fees, sales and rentals	179,821	10,429	31,850	1,222,871	55,325	-	812,108	3,191,094	1,178,758	10,707,918	17,390,174
Permits, licenses and fines	144,621	23,309	-	-	-	337,310	-	-	-	-	505,240
Investment income	183,680	-	-	-	-	-	-	7,522	7,455	-	198,657
Actuarial earnings	62,012	-	-	-	-	-	-	276,759	363,853	-	702,624
Penalties and interest on taxes	110,884	-	-	-	-	-	-	-	-	-	110,884
Franchise	90,496	-	-	-	-	-	-	-	-	-	90,496
Contributions from developers	-	-	-	-	-	-	7,106	26,447	-	118,120	151,673
Other	32,506	-	2,347	-	-	-	-	78,369	1,500	60,119	174,841
Gain (loss) on disposal	598,496	-	-	-	-	-	-	-	-	(10,607)	587,889
	<b>10,388,844</b>	<b>38,102</b>	<b>62,197</b>	<b>1,222,871</b>	<b>55,325</b>	<b>337,310</b>	<b>819,214</b>	<b>5,485,192</b>	<b>2,673,600</b>	<b>10,875,550</b>	<b>31,958,205</b>
<b>Expenses</b>											
Labour and benefits	769,641	732,399	1,072,585	179,884	76,574	307,938	1,313,943	1,003,518	550,443	705,440	6,712,365
Contracted services	212,096	1,492,995	866,201	873,360	22,590	294,274	517,683	361,851	162,501	372,776	5,176,327
Materials and supplies	119,495	104,034	(244,027)	23,583	13,751	9,624	462,139	1,042,344	418,404	8,676,230	10,625,577
Interest	-	129,429	129,430	-	-	-	-	584,535	557,854	-	1,401,248
Amortization	65,123	154,666	1,203,139	13,025	1,628	4,884	185,599	1,094,585	699,134	182,341	3,604,124
Other	6,764	1,188	1,712	202,222	-	-	-	23,856	200	-	235,942
	<b>1,173,119</b>	<b>2,614,711</b>	<b>3,029,040</b>	<b>1,292,074</b>	<b>114,543</b>	<b>616,720</b>	<b>2,479,364</b>	<b>4,110,689</b>	<b>2,388,536</b>	<b>9,936,787</b>	<b>27,755,583</b>
<b>SURPLUS (DEFICIT) for the year</b>	<b>9,215,725</b>	<b>(2,576,609)</b>	<b>(2,966,843)</b>	<b>(69,203)</b>	<b>(59,218)</b>	<b>(279,410)</b>	<b>(1,660,150)</b>	<b>1,374,503</b>	<b>285,064</b>	<b>938,763</b>	<b>4,202,622</b>