



The Corporation of the District of Summerland

13211 Henry Ave, Summerland, BC, V0H 1Z0

www.summerland.ca

2015 ANNUAL REPORT

Fiscal Year Ending December 31, 2015

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Message from the Mayor

My first full year as Mayor of Summerland has been very rewarding and a great learning experience. It has been a pleasure to work with our six dedicated councillors. With the assistance of our new CAO Linda Tynan, council and staff have met challenges effectively, have had many accomplishments and have started new initiatives.

A key initiative for the community was the setting of an urban growth boundary and the accompanying Official Community Plan changes. For the next number of years the community knows where services will be extended bringing certainty and confidence for community development.

A number of grants applications were successful. We have initiated the Garnet Valley Water Separation and Road Project with a Build Canada grant. The total project cost is \$6.6m with 2/3 coming from government and 1/3 from the District. This project will supply fully treated water from our water treatment plant, a separate line for agricultural water, and bike lanes to further promote cycling in our community.

We received a BikeBC grant to construct a path which will connect the Dale Meadows Park area to Sinclair Road. Safe cycling was also enhanced with a barrier path along the highway between Lower Town and the Trout Creek residential area. Funding was also received to upgrade safety for a small section of the Trans Canada Trail near Fyffe Road.

A significant area of concern is the status of our infrastructure. To that end, the municipality applied for and received funding for an asset management study which will assist in determining priorities of maintenance and upgrades.

We received a \$135,000 contribution from Penny Lane towards a new Skatepark. Council moved this project forward for further funding and community involvement. The public, including our youth, have participated in open houses to offer design ideas for this exciting project.

A Cultural Task Force was struck to develop a much needed Cultural Plan. There has been a great deal of community involvement, with many active members participating in community conversations.

A Mayor's Task Force on Economic Development was initiated late in 2015. The Task force will meet throughout 2016 and bring recommendations to council.



Conservation and efficient use of water is an important goal. In 2015 in consultation with the community, the District established rates and cost structures of water for all domestic users.

In closing, I would like to thank my council colleagues, the residents of Summerland, volunteers, businesses, our dedicated CAO Linda Tynan, and our hard working staff for making Summerland the beautiful, aesthetically pleasing, rural-urban mix that it is. We will continue to work hard to enhance these qualities.



Mayor Peter Waterman

District of Summerland Council 2014-2018



Council (left to right):

Councillor Erin Carlson, Councillor Toni Boot, Councillor Doug Holmes, Mayor Peter Waterman, Councillor Richard Barkwill, Councillor Erin Trainer, and Councillor Janet Peake

Meetings:

Regular Meetings of Council are scheduled for the second and fourth Monday of each month. When Monday is a holiday, the meeting is generally moved to the Tuesday. Information about meeting schedules, agendas, minutes, video recordings, and how to appear as a delegation can be found on the municipal website at www.summerland.ca or by calling 250-494-6451.

2015 Council Committees

Committee, Commission, and Task Force Appointments

Agricultural Advisory Committee

Councillor Erin Carlson
Councillor Richard Barkwill (alternate)

Climate Action Committee

Councillor Erin Carlson
Councillor Erin Trainer (alternate)

Community Cultural Advocacy Committee

Councillor Doug Holmes
Councillor Janet Peake (alternate)

Cultural Plan Task Force

Councillor Doug Holmes
Councillor Janet Peake

Heritage Advisory Commission

Councillor Richard Barkwill
Councillor Janet Peake (alternate)

Sister City Committee

Councillor Janet Peake
Councillor Richard Barkwill (alternate)

Summerland Recreation Commission

Councillor Erin Trainer
Councillor Doug Holmes (alternate)

Water Advisory Committee

Councillor Toni Boot
Councillor Erin Carlson (alternate)

Standing Committees

(Appointed by Mayor)

Council Advisory Select Committee

Mayor Peter Waterman
Councillor Doug Holmes
Councillor Janet Peake

Economic Development Task Force

Mayor Peter Waterman
Councillor Toni Boot

OCP Review Committee

Mayor Waterman
Councillor Boot
Councillor Trainer

External Agency and Board Appointments

Municipal Insurance Association of BC

Councillor Richard Barkwill
Councillor Toni Boot (alternate)

Okanagan Regional Library Board

Councillor Erin Carlson
Councillor Doug Holmes (alternate)

Regional District Okanagan-Similkameen

Mayor Peter Waterman
Councillor Toni Boot
Councillor Richard Barkwill (alternate)

Summerland Chamber of Commerce

Councillor Toni Boot
Councillor Janet Peake (alternate)

Summerland Museum and Heritage Society

Councillor Richard Barkwill

Community Profile

Incorporated in 1906, the District of Summerland is an 11,200 person rural municipality in the Okanagan Valley situated between Kelowna and Penticton. A member municipality of the Regional District of Okanagan Similkameen, Summerland has an area of 73.8 square kilometers with vineyards, orchards, mountains and sandy beaches offering breathtaking views with all four seasons.



Summerland has a growing population of young professionals who enjoy outdoor recreation opportunities and the “take your time” ambience that Summerland offers. Families are attracted to parks, programs for children, excellent schools and our vibrant arts and cultural life.

Summerland's location near Penticton and Kelowna make Summerland the perfect option for those who want access to big-city amenities and airports, while also enjoying a small town way of life.

The traditional economic driver in Summerland has been the fruit growing industry which has been expanding through related enterprises such as wine and cider production. Tourism, commercial and light industry have also become significant parts of the local economy. Summerland's economy is stable with employment from a range of sectors including agriculture, manufacturing, commercial, retail, tourism and agricultural research.

For the past 100 years, the federally owned Summerland Research and Development Centre has promoted the sustainable and economical production of foods in Canada. The research facility sits on 320 hectares of land, 90 of which are irrigated for horticulture & viticulture research. It is also home to the Summerland Ornamental Gardens, an important botanical resource in the Okanagan region.

Summerland has quietly leaped to the top of the Provincial scale in positive socio-economic measurements. Second only to West Vancouver, Summerland ranks 2nd overall in “best-off” BC regions when measuring economic factors, health care, education, crime statistics and the welfare of children and youth. Released on July 29, 2013 by BC Stats, the Socio-Economic Indices provide comparative measures among BC regions. This statistical report from BC Stats offers the empirical proof that Summerland is one of the best places to live in BC.

Vision, Mission and Values

VISION

The Summerland Official Community Plan (OCP) policies express the fundamental values and goals of the community and set directions for achieving a collective vision.

“Our historic lakeside community has a collective sense of belonging and preserves and enhances its quality of life, agricultural character and its distinctive natural setting in a manner that reflects our strong social values.

We respect our traditional small town character and proactively work to ensure balance among our shared values of protecting our natural environment, supporting a sustained local economy, showcasing cultural and historical legacies and providing quality facilities and services for our diverse population both now and for future generations.”

The Summerland Vision tells us where we want to go but not how to get there. The OCP guides our direction while the Strategic Plan provides the priority, allowing us to focus our energy on what is important. By having a Strategic Plan, we have cleared a path to get us from where we are today to where we want to be tomorrow.

MISSION

The following Mission is a statement of the Corporation’s core purpose:

To foster a progressive, healthy, and innovative community by continually improving our social, environmental, cultural, and economic well-being for present and future generations.

VALUES

The following corporate values express the core convictions Council and employees share about how they must conduct themselves to fulfill the Corporate Mission:

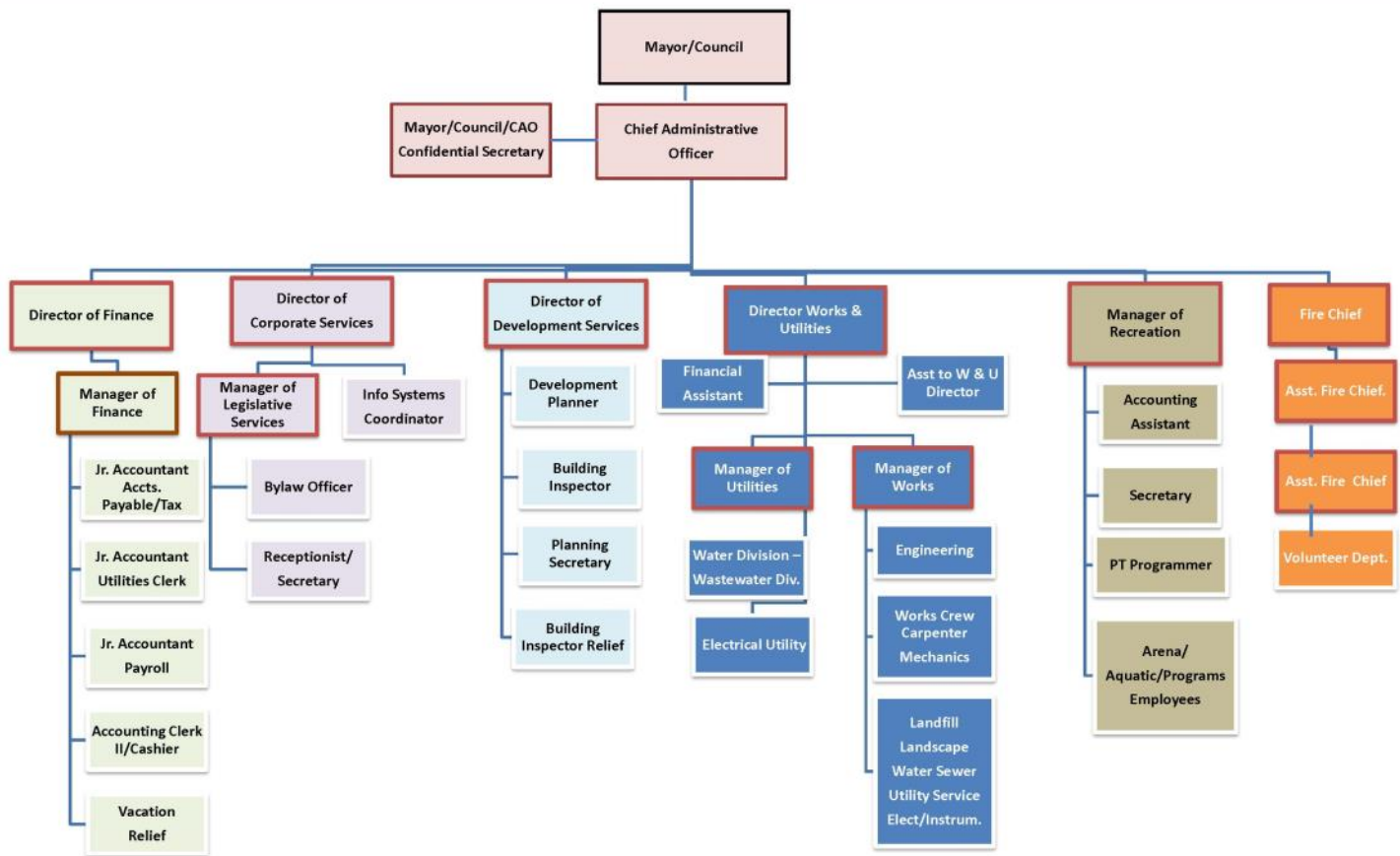
Honesty - We are trustworthy and tell the truth; we are accountable and follow through on commitments; and, as professionals, we accept no gift nor favour nor misuse of public time or property.

Respect - We treat everyone equally and justly, and we hold each other and those we serve in high regard and have a modest sense of our own importance.

Creativity - We are imaginative, original, innovative, progressive and resourceful in accomplishing our tasks.

Transparency - We communicate clearly and accurately and offer easy public access to information, and our collaborative, thoughtful and nonjudgmental decision-making involves all types of people.

Organizational Chart



Municipal Officers and Department Heads

Chief Administrative Officer	Linda Tynan
Chief Financial Officer	Lorrie Coates
Director of Corporate Services / Corporate Officer	Jeremy Denegar
Director of Development Services / Approving Officer	Ian McIntosh
Director of Works and Utilities	Don Darling (retired 2015) Kris Johnson (Jan 2016)
Recreation Manager	Brenda Ingram
Fire Chief	Glenn Noble

Chief Administrative Officer's Report

I am very pleased to present the 2015 Annual Report for the District of Summerland. This report offers the opportunity to summarize the operations of the District for the past year and set the stage as we continue into 2016.

2015 marked my first year as Chief Administrative Officer in Summerland. One of the first observations I made was the pride in the community that so many people I encountered while working displayed.

This culture of pride and dedication to the District begins with the elected Mayor and Council. I appreciate working in an organization that is led with such a commitment to improvement within municipal operations, growth and community development.

The District of Summerland has approximately 100 employees who provide many of the vital services to the community. The commitment to the District and the professionalism displayed while doing their jobs is most notable and I am fortunate to have the opportunity to work together with all of the staff from each of the departments.

I observed this same commitment from the many volunteers and engaged citizens that I have had the opportunity to work with so far. The individuals who participate on committees of councils are engaged, passionate and provide insightful contributions to the matters at hand. This is also the case with the many dedicated volunteer organizations in Summerland which adds so much to the vitality and culture of the community.

2015 was a busy year and the District of Summerland moved forward on a number of initiatives with a continued focus on fiscal responsibility, infrastructure renewal and community development. The summary of strategic initiatives contained in this Annual Report shows the progress made in all sectors. With the success of a number of grant applications in 2015, the coming year will be busy as work on the Garnet Valley Water Separation and Road Improvement project begins, the Asset Management project gets underway and work is started on the trail projects funded through grant funding.

Regards,



Linda Tynan, BBA, CPA, CGA
Chief Administrative Officer



2015-2019 Strategic Plan & Progress Report

The *Community Charter* requires that the Annual Report describes progress in relation to objectives established for the previous year and provides a statement of municipal objectives and measures for the current and following year. This means reviewing 2015 accomplishments against set goals and updating objectives for 2016 and 2017.

For consistency and continuity in tracking priorities over the term of Council's mandate, our practice is to reference the multi-year Strategic Plan established by Council. The 2015-2019 Strategic Plan was adopted by Council on March 23, 2015.

Key Objectives	Performance Measures	Progress to Date
Cultural Vitality		
Strengthen the Physical, Cultural and Democratic Participation of Citizens	Develop a Cultural Plan	Substantially completed
Leverage Technology, Innovation and Best Practices	- Amend the Procedure Bylaw to get more public input - Develop a Community Engagement Policy	- Completed - Outstanding Task
Economic Vibrancy		
Facilitate Economic Development	- Form a Mayor's Task Force on Economic Development - Consider Quick Read (QR) codes for engaging the community and visitors - Review feasibility of a hotel tax - Refresh Wharton Street Area Redevelopment - Study potential uses for downtown back lanes - Support the Chamber of Commerce in implementing their strategy on investment attraction	- Task Force active - Exploring alternatives - Future year - Downtown plan budgeted for 2016 - Downtown plan budgeted for 2016 2015 initiatives achieved
Foster Corporate Excellence	- Hire a Chief Administrative Officer - Streamline the development approvals process	- CAO hired - In progress
Diversify Revenue Sources	Confirm the land inventory and develop a land disposal policy	Completed
Monitor and Report Progress	Conduct a citizen survey and prepare a five year strategic plan	2016
Provide Best Value for Money	Review Funding Opportunities for Renewable Energy	Being actively investigated

2015-2019 Strategic Plan & Progress Report

Key Objectives	Performance Measures	Progress to Date
Environmental Integrity		
Protect Water Supply	- Garnet Valley / Jones Flat water system separation - Flume and water intake upgrade	- Funding received through grant; project initiated - Future grant application
Protect and Enhance Air, Water and Land Quality	- Implement Climate Action initiatives - Wastewater infrastructure infiltration bed and grit removal upgrade	- Budgeted for Climate Action Coordinator 2016 - Grant application submitted
Plan Growth and Preserve ALR	Finalize an OCP amendment addressing urban growth	Completed in 2015.
Sustain Community Infrastructure	Develop Asset Management Plan	Grant awarded to develop Asset Management Plan
Implement Sustainability Principles	- Develop debt, surplus and reserves policies - Review and implement irrigator water meter rates	2016 project - New rates implemented
Social Well-being		
Link Neighbourhoods	- Develop Community Trails	Dale Meadows Trail, Cycling trail along Hwy 97, work on Trans Canada Trail near Fyffe Rd
Strengthen the Physical, Cultural and Democratic Participation of Citizens	Develop a Parks and Recreation Master Plan	Not started; to be done in 2016
Maintain Comparable Taxes and Fees	Build a rate comparison review into the financial planning process	Comparables included in 2016 Financial Plan presentations
Engage the Community	Launch the new municipal website	Completed
Leverage Technology, Innovation, and Best Practices	Implement recreation program registration website	Purchased; scheduled launch Jan 1, 2017
Enhance Public Safety	- Build a Fire Department Training Facility - Contribute to safer youth through restorative justice, high risk youth and School Liaison Programs	- Substantially completed - Programs delivered
Develop and Retain a Skilled Municipal Workforce	Ensure Firefighter Training meets or exceeds new Provincial Standards	Actively being implemented.
Leverage Technology, Innovation and Best Practices	Convert Fire Department operating software to new platform	Completed

Council's 2016 Priority Statements

- ◆ Focus on **review of organizational basics** to ensure that the residents of Summerland are getting the best value for services provided.
 - Improved fiscal management through the development of long term financial plans
 - Strengthened processes within District departments for improved internal planning
 - Update of bylaws and policies organizationally wide
 - Improved management of our human resources
 - Improved communication and engagement both internally and externally
- ◆ **Investment in the infrastructure** of the District of Summerland to ensure the ongoing availability of services such as water, wastewater, roads, facilities, etc. and development of a plan to ensure effective management of these assets in the future.
 - Development of a plan to ensure effective management of these assets in the future
 - Garnet Valley Water Separation project in 2016
 - Application for grant funding for the Grit Removal and Effluent Filtration at the Wastewater Treatment plant
- ◆ Comprehensive review of existing plans to determine what information is required; to reaffirm those plans which are relevant and update those that are not. After this review, to undertake a **comprehensive, community led long term strategic plan** for the community taking into account current initiatives such as the findings of the Cultural Plan Task Force and the Mayor's Task Force on Economic Development.
- ◆ Consideration of opportunities to enhance **the livability of Summerland** to ensure that it remains an attractive place to live. These opportunities may include arts & culture development, sports, recreation, economic development, housing, etc.
- ◆ Improve the communication both internally and externally.
- ◆ Focus on sustainability and long term viability
 - Explore the opportunities within the operations of Summerland Electrical Utility to contribute to climate change/sustainability, environmental protection initiatives; and to identify opportunities for alternative revenue generation.
 - Explore opportunities to increase the resilience of the community



Department Overviews: Administration

The Administration department is the primary liaison between Council and staff in the District of Summerland's implementation of community priorities so that services and amenities are continuously being improved within the community. Within its many roles, it provides direction for staff recommendations to Council that reflect relevant facts, options and professional opinion for issues that are being faced by them.

In addition, the Chief Administrative Officer's office takes a lead role in managing the implementation of the policy direction which has been established by Council and as a result, the Chief Administrative Officer is the senior staff leader that provides managerial leadership, direction and guidance to all municipal departments in their operations.

The District of Summerland's values and missions are kept in the forefront in all decision-making, and in 2015, the Chief Administrative Officer's primary objective was in assisting Council and staff in implementing the Strategic Plan priorities and helping the recently elected Council gain an understanding of how the District of Summerland is organized and how it functions.

This department consists of:

- Office of the Chief Administrative Officer
- Human Resources.

Corporate Services

The Corporate Services department provides a number of important services to the public, Council and staff. The department provides support for Council through administrative and audiovisual support for all Council meetings and oversees combined Municipal and School District elections every four years.

It is responsible for the management of the municipality's records policy, freedom of information requests, bylaw enforcement, insurance claims and risk management, legal agreements, property management and business licencing. It works with Administration and other departments to develop municipal bylaws, policies and procedures. The department also functions as one of the primary communication conduits between the municipality and community arts and cultural organizations. The department also manages, maintains and provides technical support and training for all computer hardware, software and public information services such as the website, online payment services, and web map (GIS) services. Corporate Services is also critical in improving business processes.

This department consists of:

- Legislative Services
- Bylaw Enforcement
- Information Technology
- Geographic Information Services (GIS)
- Reception

Development Services

The Development Services department is responsible for all land use planning and building related processes. This includes long range planning as well as current planning. Long range planning includes policy work including zoning regulations and Official Community Plan policies that guide development in our community. Current planning primarily includes processing all land use related applications and inquiries. Development applications typically include:

- Rezoning/OCP Amendments
- Development Permits
- Development Variance Permits
- Subdivisions
- Strata subdivisions
- Agricultural Land Reserve applications
- Building Permits

The Economic Development function is also administered by Development Services in conjunction with the Chamber of Commerce.

The department is committed to providing excellent customer service and, as such, works closely with committees of Council, the development community and members of the general public to ensure our shared vision of Summerland is realized. Public input, as it pertains to proposed development, neighbourhood plans and/or changes to zoning is supported through various forums, such as open houses, public hearings, our online mapping system and through public notifications.



Finance

The Finance department provides financial stewardship of the District of Summerland's financial assets. This includes the implementation of financial management policies that ensure the municipality is able to meet Council's future service expectations. Financial information is provided to the public, Council, media and other municipal departments.

Major financial functions include:

Accounting - responsible for the expenditures of the municipality, processing over 6,900 invoices annually. This area prepares monthly financial reports for internal review, along with an annual financial statement that is available on the municipal website.

Payroll - provides bi-weekly pay cheques for approximately 100 employees, including fulltime, part-time and casual employees.

Financial Planning - prepares the municipality's financial plan annually for review and adoption by Council. The budget is modified during a public input and discussion period and adopted by bylaw.

Property Taxes and Utilities - responsible for billing, collecting money and maintaining records for properties, electrical, water, sewer and garbage user fees and dog licences. Bills and reminders are mailed annually to 5,700 properties, and an annual tax sale is held for properties where property taxes are unpaid for three years.

Fire Department

Mission Statement: "To proudly protect lives and property by providing prompt, skillful, cost effective fire protection and life safety services."

To fulfill this Mission, the Fire Department adheres to the following principles:

- We will take GREAT risks to save your life
- We will take MINIMAL risks to save your property
- We will take NO risks for the lives or property that are already lost

The Summerland Fire Department was established in 1949. Today we serve a population of approximately 11,300 residents from one central fire hall with a fire protection area of 74 square km. (28 square miles). The Summerland Fire Department consists of 3 Career Firefighters and 27 Auxiliary Firefighters. Firefighting equipment includes three engines, one rescue, one water tender, one CAFS squad unit, one bush truck, two command vehicles, and one administration vehicle.



Parks & Recreation

Summerland Parks & Recreation is the heart of our vibrant community. With many facilities and natural green spaces, the District of Summerland offers a community pool, fitness centre, arena, curling club, beaches, parks, water-park, lake front community gazebo, sports complexes that include ball fields and soccer fields, rodeo grounds, a municipal campground and a community theatre. The Trans Canada trail goes through Summerland and this provides many opportunities for cycling and hiking.

The Recreation Department provides services in three main areas: 1) parks and sports fields, 2) recreation, leisure, and fitness programs for all age groups, and 3) facility operations. Our programs and services generate revenue directly through user fees.

Additional economic activity is also generated from staging and promoting sporting and special events in the community. Thousands of people attend Action Festival on the first weekend in June each year with an 80 team slo-pitch tournament, 5 & 10km family fun runs, triathlon, along with parade and stage entertainment.



Police (RCMP)

The Royal Canadian Mounted Police is Canada's national police service, an agency of the Ministry of Public Safety Canada, providing law enforcement services in detachments across the country. The District of Summerland contracts the RCMP to provide police services for its citizens.

The Summerland RCMP Detachment is committed to a working partnership with our community, providing safety and security through professional service based on our traditions of fairness and equality.

Our mandate is multi-faceted. We prevent and investigate crime, maintain order, enforce laws on matters as diverse as health, the protection of government revenues, contribute to national security, and provide vital operational support services to other police and law enforcement agencies.

The Summerland RCMP Detachment administers and supports the Citizens on Patrol program and the Block Watch program, and works closely with the South Okanagan Similkameen Crime Stoppers organization.

Works and Utilities

The Works and Utilities department is responsible for the planning, design, construction, operation and maintenance of the municipality's water, sanitary sewer, drainage, solid waste, electrical and transportation infrastructure as well as cemeteries and parks. The department operates and maintains all municipal infrastructure in a cost-effective and efficient manner, and completes upgrades to improve the service life of utilities infrastructure to meet the current and future needs of the community.

Our waterworks system is managed and maintained to produce clean and safe potable water to satisfy all anticipated consumption and fire protection needs. The department also operates an effective sanitary sewer collection and treatment system that provides for public health and safety with minimal service disruption and impact to the environment.

Our Electrical Utility maintains and improves the District's electrical infrastructure including power poles, distribution network and streetlights in order to provide reliable electrical service for Summerland residents and businesses in a safe and responsive manner. The Electrical Utility is also actively exploring opportunities for alternative power production and green technologies to enhance Summerland's self-reliance, reduce costs, and increase efficiency.

The transportation network includes roads, pathways and trails which are maintained and improved to enhance the safety, livability and sustainability of the community and to effectively manage traffic to support user safety. The department also maintains a safe and cost-effective fleet of vehicles and equipment for District of Summerland staff. It also provides cemetery services, maintains parks and playing fields, and solid waste services to maintain a healthy and clean city.

Financial Section



Financial Section

I am pleased to present the District of Summerland audited financial statements for the year ended December 31, 2015.

As noted in the management report, Council has delegated the responsibility for the accuracy, integrity and objectivity of the financial information presented in the financial statements to the management staff of the District.

The consolidated financial statements as required by the *Community Charter* have been prepared and meet the reporting standards for local governments. This is the first year for the reporting of a liability for contaminated sites and the District has met the standard – Note 1 (o). There are several new standards outlined in Note 1 (r) that must be adopted by District no later than the 2018 financial statements.

The financial statements reflect a continued improvement in the financial position for the District of Summerland. Revenues remained relatively equal to 2014 at \$29.6 million. Expenses of \$27.2 million increased 4.3% over 2014. Approximately 80% of this increase is attributed to the expenses of the water, sewer and electric utilities.

The District ended the year with a \$2.375 million increase to accumulated surplus, which has a balance of over \$92 million. Accumulated surplus includes investment in tangible capital assets, funds held in reserve and unappropriated surplus. The General Fund ended the year with \$1,136,000 unappropriated surplus, an increase of \$504,000. The Water Fund ended the year with \$854,000 unappropriated surplus, an increase of \$386,000. The Sewer Fund ended the year with \$79,000, a decrease of \$82,000 due to the construction of assets in 2015 and the borrowing of funds for that work in 2016. The Electric Fund ended the year with \$815,000 unappropriated surplus, an increase of \$412,000.

Funds held in reserve increased \$400,000 and total \$10.9 million. The District's investment in tangible capital assets increased \$1.4 million in 2015 to a total of \$82 million.

Council's ongoing commitment to ensure the financial stability of the District will provide a strong framework in which to meet community requirements in future years.

Respectfully submitted,

Lorrie Coates

Lorrie Coates, CPA, CGA

The Corporation of the District of Summerland
Consolidated Financial Statements
Year ended December 31, 2015

The Corporation of the District of Summerland
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For the year ended December 31, 2015

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Financial Section

Management's Responsibility

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 25, 2016



Director of Finance

Financial Section

Independent Auditors' Report

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, 2015, and the consolidated statements of operations and accumulated surplus, 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, 2015 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kelowna, British Columbia

April 25, 2016

MNP LLP

Chartered Professional Accountant

Financial Section

The Corporation of the District of Summerland Consolidated Statement of Financial Position *As at December 31, 2015*

	2015	2014
Financial assets		
Cash and cash equivalents	3,886,513	5,392,164
Accounts receivable (Note 3)	2,977,854	2,838,030
Portfolio investments (Note 4)	10,923,303	5,871,936
Land available for resale	-	1,230,192
Deposit - Municipal Finance Authority (Note 5)	620,060	604,580
	18,407,730	15,936,902
Financial liabilities		
Accounts payable and accrued liabilities (Note 6)	3,956,393	3,334,096
Landfill closure and post closure liability (Note 7)	419,011	280,167
Deferred revenue (Note 8)	4,597,698	3,793,770
Deposits	697,572	638,702
Long-term debt (Note 9)	23,602,832	25,632,579
Obligations under capital lease (Note 10)	127,217	329,345
	33,400,723	34,008,659
Net debt	(14,992,993)	(18,071,757)
Non-financial assets		
Tangible capital assets (Note 11)	105,685,336	106,540,846
Prepays	305,809	272,109
Inventories of supplies	1,188,133	1,069,920
	107,179,278	107,882,875
Accumulated surplus (Note 12)	92,186,285	89,811,118

Contingent liabilities and commitments (Note 16)


 Director of Finance


 Mayor

The accompanying notes are an integral part of these financial statements

Financial Section

The Corporation of the District of Summerland Consolidated Statement of Operations and Accumulated Surplus *For the year ended December 31, 2015*

	Budget (Note 19)	2015	2014
Revenue			
Taxation - net (Note 14)	9,792,490	9,777,877	9,527,495
Government transfers - Provincial (Note 15)	5,167,480	978,814	1,428,379
Government transfers - Regional (Note 15)	395,236	395,236	397,126
User fees, sales and rentals	15,588,875	16,477,520	16,328,669
Permits, licenses and fines	322,700	459,443	325,484
Investment income	107,300	149,521	109,863
Actuarial earnings	637,068	637,068	602,290
Penalties and interest on taxes	110,000	132,857	116,595
Franchise	113,000	117,138	101,152
Contribution from developers	150,000	355,539	160,312
Development cost charges	-	-	250,000
Other	455,877	115,251	192,179
Gain (loss) on disposal of tangible capital assets	-	(10,702)	141,590
	32,840,026	29,585,562	29,681,134
Expenses			
General government services	1,720,861	1,625,813	1,856,333
Protective services	2,558,400	2,166,816	2,328,176
Transportation services	3,811,983	3,266,466	2,948,967
Environmental services	1,068,370	1,178,450	1,077,993
Health services	106,431	100,864	80,017
Planning and development	643,750	565,235	558,500
Parks and recreation	2,376,286	2,330,432	2,159,961
Water services	4,180,289	4,186,147	3,898,840
Sewer services	2,387,432	2,339,436	2,247,318
Electrical services	9,570,139	9,450,736	8,920,204
	28,423,941	27,210,395	26,076,309
Annual surplus	4,416,085	2,375,167	3,604,825
Accumulated surplus, beginning of year	89,811,118	89,811,118	86,206,293
Accumulated surplus, end of year	94,227,203	92,186,285	89,811,118

The accompanying notes are an integral part of these financial statements

Financial Section

The Corporation of the District of Summerland Consolidated Statement of Changes in Net Debt

For the year ended December 31, 2015

	Budget (Note 19)	2015	2014
Annual surplus	4,416,085	2,375,167	3,604,825
Acquisition of tangible capital assets	(8,835,609)	(1,596,042)	(1,509,255)
Reclassification of land	-	(1,220,098)	-
Amortization of tangible capital assets	3,673,000	3,660,948	3,648,161
Loss (gain) on disposal of tangible capital assets	-	10,702	(141,590)
Proceeds on sale of tangible capital assets	-	-	303,560
	(746,524)	3,230,677	5,905,701
Change in prepaids	-	(33,700)	(188,245)
Change in inventory of supplies	-	(118,213)	(14,336)
(Increase) decrease in net debt	(746,524)	3,078,764	5,703,120
Net debt, beginning of year	(18,071,757)	(18,071,757)	(23,774,877)
Net debt, end of year	(18,818,281)	(14,992,993)	(18,071,757)

The accompanying notes are an integral part of these financial statements

Financial Section

The Corporation of the District of Summerland Consolidated Statement of Cash Flows *For the year ended December 31, 2015*

	2015	2014
Cash provided by (used for) the following activities		
Operating transactions		
Annual surplus	2,375,167	3,604,825
Items not involving cash		
Amortization	3,660,948	3,648,161
Loss (gain) on disposal of tangible capital assets	10,702	(141,590)
Landfill closure and post closure costs	138,844	63,160
Development cost charges recognized as revenue	-	(250,000)
Gas Tax funding recognized as revenue	-	(488,750)
	3,810,494	2,830,981
Changes in non-cash operating balances		
Accounts receivable	(129,730)	59,155
Prepays	(33,700)	(188,245)
Inventories of supplies	(118,213)	(14,336)
Accounts payable and accrued liabilities	622,297	(553,855)
Deferred revenue	803,928	118,034
Actuarial reduction of long-term debt	(637,068)	(602,290)
Deposit - Municipal Finance Authority	(15,480)	1,313
Deposits	58,870	367,454
	550,904	(812,770)
	6,736,565	5,623,036
Capital transactions		
Acquisition of tangible capital assets	(1,596,042)	(1,519,349)
Proceeds on disposal of tangible capital assets	-	303,560
	(1,596,042)	(1,215,789)
Investing transactions		
Acquisition of portfolio investments	(5,051,367)	(4,033,032)
Financing transactions		
Repayment of long-term debt	(1,392,679)	(1,442,486)
Repayment of obligations under capital lease	(202,128)	(209,152)
	(1,594,807)	(1,651,638)
Net change in cash and cash equivalents	(1,505,651)	(1,277,423)
Cash and cash equivalents, beginning of year	5,392,164	6,669,587
Cash and cash equivalents, end of year	3,886,513	5,392,164

The accompanying 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, 2015

The Corporation of the District of Summerland (the "District") was incorporated under the laws of the Province of British Columbia. Its principal activities include the provision of local government services to residents of the incorporated area. These include general government, fire protection, planning and development, parks and cultural services, utilities, and fiscal services.

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 14. Funds received by the District as transfers from other government entities are summarized in Note 15.

(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 service 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, 2015

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) Expenses

Expenses are recognized as they are incurred and measurable based upon the receipt of goods or services and/or the creation of a legal obligation to pay.

(e) 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.

(f) 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.

(g) 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.

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

For the year ended December 31, 2015

1. Significant accounting policies (continued)

(h) 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.

(i) Accounts receivable

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

(j) Portfolio investments

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

(k) 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.

(l) Work in progress

Work in progress represents capital projects under construction but not yet completed and are valued at cost.

(m) Land available for resale

Land acquired for future resale and the costs incurred to improve the condition of the property are recorded at the lower of cost and net realizable value.

(n) Long-term debt

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

(o) 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, 2015.

Financial Section

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

For the year ended December 31, 2015

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.

(p) Non-financial assets

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

(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) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) 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.

(v) 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, 2015

1. Significant accounting policies (continued)

(vi) Leased tangible capital assets

Leases, which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(q) 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, and valuation of accounts receivable.

Significant estimates include assumptions used in estimating provisions for accrued liabilities, estimated useful lives of tangible capital assets, valuation of accounts receivable and liability for contaminated sites.

Liabilities for contaminated sites are estimated based on the best information available regarding potential contamination where the District is responsible.

(r) 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 Public Sector Accounting Board (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 consolidated 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 consolidated 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:

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

For the year ended December 31, 2015

1. Significant accounting policies (continued)

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.

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

For the year ended December 31, 2015

1. Significant accounting policies (continued)

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:

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. Adoption of accounting policy

Effective January 1, 2015, the District adopted the recommendations in PS 3260 Liabilities for Contaminated Sites, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the District is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 1, Significant Accounting Policies. There was no effect on the District's financial statements from adopting the above-noted change in accounting policy.

3. Accounts receivable

	2015	2014
Property taxes	746,217	784,674
Utilities	1,625,980	1,495,316
Other governments	108,561	171,024
Development cost charges	137,499	-
Trade and other	359,597	387,016
	2,977,854	2,838,030

Financial Section

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

For the year ended December 31, 2015

4. Portfolio investments

	2015	2014
Cash and bond funds	10,949	32,492
Money Market funds	65,159	64,607
Guaranteed Investment Certificates	6,845,668	1,773,249
Term Deposits	4,001,527	4,001,588
	10,923,303	5,871,936

The income from portfolio investments for the year was \$168,749 (2014 - \$123,247). The market value of the District's portfolio investments was \$10,923,303 (2014 - \$5,871,936).

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 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	2015	2014
General fund	179,202	78,372	257,574	255,617
Water fund	567,605	269,111	836,716	829,998
Sewer fund	419,340	272,577	691,917	685,112
	1,166,147	620,060	1,786,207	1,770,727

6. Accounts payable and accrued liabilities

	2015	2014
Trade and other	2,908,049	2,242,316
Wages and benefits	640,111	722,377
Due to funds held in trust	408,233	369,403
	3,956,393	3,334,096

Financial Section

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

For the year ended December 31, 2015

7. Landfill closure and post closure liability

	2015	2014
Landfill closure costs	264,024	180,509
Landfill post closure costs	154,987	99,658
	419,011	280,167

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

Landfill closure costs are estimated based on the unused capacity of the landfill site. Management, with the assistance of an engineering firm, has projected the remaining life of the 950,000 m³ of airspace in the landfill to be 51 years, closing in the year 2067. Landfill closure costs are estimated at \$264,024 (2014 - \$180,509). As at December 31, 2015, 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 \$154,987 for 2015 (2014 - \$99,658) based on 11.7% (2014 - 10.6%) of the landfill capacity used to this date and a 51-year lifespan to 2067 and a discount rate of 1.65% (2014 - 2.17%). 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	2015 Ending balance
Development cost charges	2,911,337	632,857	35,485	-	3,579,679
Property taxes and business licenses	882,433	954,451	-	(818,865)	1,018,019
	3,793,770	1,587,308	35,485	(818,865)	4,597,698

Financial Section

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

For the year ended December 31, 2015

9. Long-term debt

	2015	2014
Outstanding debt, beginning of year	25,632,579	27,677,355
Repayment of debt	(1,392,679)	(1,442,486)
Actuarial reduction of principal	(637,068)	(602,290)
Outstanding debt, end of year	23,602,832	25,632,579

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

	General Fund	Water Fund	Sewer Fund	Total
2016	464,361	933,459	719,106	2,116,926
2017	475,535	969,617	672,856	2,118,008
2018	487,185	1,007,182	704,458	2,198,825
2019	299,332	1,046,212	737,561	2,083,105
2020	311,999	1,008,359	693,831	2,014,189
2021 and thereafter	3,284,459	6,908,251	2,879,069	13,071,779
	5,322,871	11,873,080	6,406,881	23,602,832

Financial Section

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

For the year ended December 31, 2015

9. Long-term debt (continued)

Bylaw Number	Purpose	Year Maturing	% Rate	2015 Cash Payments		Balance Outstanding	
				Interest	Principal	2015	2014
General fund							
00-083	Road Improvements	2026	5.690	30,500	30,243	407,287	464,313
00-083	Road Improvements	2030	4.500	90,000	67,164	1,636,221	1,714,793
00-399	RCMP Building	2030	4.200	131,250	104,943	2,679,363	2,797,410
Oct 15/13	Prairie Valley Road	2018	variable	11,572	200,000	600,000	800,000
				263,322	402,350	5,322,871	5,776,516
Water fund							
99-039	Water works upgrade	2019	2.100	21,000	33,150	281,109	343,947
00-161	Water works upgrade	2025	4.170	250,200	201,490	3,580,883	3,867,667
00-213	Thirsk Dam Expansion	2026	4.660	279,600	201,490	3,867,667	4,143,421
00-195	Water works upgrade	2027	4.820	289,200	201,490	4,143,421	4,408,569
				840,000	637,620	11,873,080	12,763,604
Sewer fund							
96-043	Sewer Treatment plant land	2016	4.430	44,300	30,243	76,421	149,204
98-034	Sewer System construction	2023	4.650	418,500	188,572	4,127,227	4,538,857
99-040	Sewer System construction	2019	2.100	21,000	33,149	281,109	343,947
00-192	Sewer System construction	2025	4.170	33,360	26,865	477,451	515,689
00-207	Sewer System construction	2026	4.660	93,200	67,164	1,289,222	1,381,140
00-192	Sewer System construction	2029	4.130	8,260	6,716	155,451	163,622
				618,620	352,709	6,406,881	7,092,459
				1,721,942	1,392,679	23,602,832	25,632,579

On December 14, 2015, Council approved short-term borrowing for a local sewer area not to exceed \$700,000. This borrowing will be undertaken in 2016 and will not exceed the actual cost of the sewer area of \$426,724 and the term will not exceed five years. Long-term borrowing will be obtained in the 2016 fall issue of the Municipal Finance Authority and the short-term borrowing will be repaid.

Financial Section

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

For the year ended December 31, 2015

10. Obligations under capital leases

	2015	2014
Obligation under capital lease, prime less 1%, blended monthly payments of \$713, due May 2018.	20,139	28,249
Obligation under capital lease, fully repaid during the year.	-	39,819
Obligation under capital lease, prime minus 1%, blended monthly payments of \$9,834, due March 2016.	29,406	145,730
Obligation under capital lease, prime minus 1%, blended monthly payments of \$3,304, due December 2017.	77,672	115,547
	127,217	329,345

The prime rate at year end was 2.70% (2014 - 3.00%).

Obligations under capital leases are secured by a fire truck, Caterpillar loader, and a mower. Interest paid relating to the above obligations on capital leases was \$4,452 (2014 - \$11,373).

The future minimum lease payments for the next three years are:

2016	77,705
2017	48,201
2018	3,330
	<u>129,236</u>
less: imputed interest	<u>(2,019)</u>
	<u>127,217</u>

Financial Section

The Corporation of the District of Summerland Notes to the Consolidated Financial Statements *For the year ended December 31, 2015*

11. Tangible capital assets

	Land	Land Improve- ments	Buildings	Machinery and Equipment	Roads and Sidewalks	Water Utility	Sewer Utility	Electric Utility	Work in Progress	2015 Total	2014 Total
Cost, beg. of year, restated (Note 20)	13,134,931	3,314,981	12,172,891	9,519,326	29,498,447	47,584,932	34,080,004	8,458,507	315,789	158,079,808	157,133,020
Additions	1,220,098	5,203	11,778	152,848	269,276	178,152	283,607	460,155	428,642	3,009,759	1,509,255
Disposals	-	-	-	(34,768)	(27,569)	(10,000)	-	(18,029)	(195,353)	(285,719)	(562,467)
Cost, end of year	14,355,029	3,320,184	12,184,669	9,637,406	29,740,154	47,753,084	34,363,611	8,900,633	549,078	160,803,848	158,079,808
Accumulated amortization, beg. of year, restated (Note 20)	-	-	5,381,806	5,865,227	16,776,688	10,239,398	10,900,154	2,375,689	-	51,538,962	48,291,298
Amortization	-	-	249,057	517,102	950,925	1,087,875	689,330	166,659	-	3,660,948	3,648,161
Disposals	-	-	-	(34,768)	(27,569)	(7,375)	-	(11,686)	-	(81,398)	(400,497)
Accumulated amortization, end of year	-	-	5,630,863	6,347,561	17,700,044	11,319,898	11,589,484	2,530,662	-	55,118,512	51,538,962
Net carrying amount, end of year	14,355,029	3,320,184	6,553,806	3,289,845	12,040,110	36,433,186	22,774,127	6,369,971	549,078	105,685,336	106,540,846

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 \$549,077 (2014 - \$315,789). Assets held under capital leases of \$784,980 (2014 - \$984,510) with related accumulated amortization of \$184,787 (2014 - \$193,571) are included in Machinery and Equipment. No contributed infrastructure tangible capital assets were recognized in the consolidated financial statements during the year (2014 - nil). Asset additions include \$193,618 of work in progress transfers from 2014 (equal to \$195,353 less adjustment of \$1,735), and land reclassification of \$1,220,098. Net cash additions for 2015 are \$1,596,042 (2014 - \$1,509,255).

Financial Section

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

For the year ended December 31, 2015

12. Accumulated surplus

The District segregates its accumulated surplus in the following categories:

	2015	2014
Current funds	7,124,117	6,767,538
Community Works	1,518,784	1,008,025
Net current funds	8,642,901	7,775,563
Investment in tangible capital assets	81,955,287	80,578,922
Reserve funds		
Tax sale	7,039	6,961
Land sale	518,492	518,625
Capital works	866,291	856,446
Parking	75,439	74,601
Asset management	120,836	-
	1,588,097	1,456,633
	92,186,285	89,811,118

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	1,008,025	511,130	14,113	(14,484)	1,518,784

13. Statutory reserve funds

	Opening balance	Contributions received	Investment income	Expenditure	Ending balance
Tax sale	6,961	-	78	-	7,039
Land sale	518,625	-	5,792	(5,925)	518,492
Capital	856,446	-	9,845	-	866,291
Parking	74,601	-	838	-	75,439
Asset management	-	120,161	675	-	120,836
	1,456,633	120,161	17,228	(5,925)	1,588,097

Financial Section

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

For the year ended December 31, 2015

14. Taxation, net

	2015	2014
Property taxes and payments-in-lieu	9,777,877	9,527,495
Collections for other governments		
Province of British Columbia - school tax	5,258,200	5,183,292
Regional District	740,085	570,366
Regional Hospital District	721,820	690,606
Municipal Finance Authority	467	450
British Columbia Assessment Authority	143,362	143,427
Okanagan Regional Library	457,216	454,670
	17,099,027	16,570,306
Transfers		
Province of British Columbia - school tax	5,258,200	5,183,292
Regional District	740,085	570,366
Regional Hospital District	721,820	690,606
Municipal Finance Authority	467	450
British Columbia Assessment Authority	143,362	143,427
Okanagan Regional Library	457,216	454,670
	7,321,150	7,042,811
Available for general municipal purposes	9,777,877	9,527,495

15. Government transfers

	2015	2014
Provincial transfers		
Small community grants	378,028	233,586
Traffic fine revenue sharing	63,002	49,140
Community Works	512,784	1,089,828
Other contributions	25,000	55,825
	978,814	1,428,379
Regional transfers		
Okanagan basin water board	395,236	
Total government transfer revenues	1,374,050	1

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

For the year ended December 31, 2015

16. 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 (the "Plan"), a jointly trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 87 contributors from the Corporation of the District of Summerland.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1.37 billion funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. 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 with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan. The Corporation of the District of Summerland paid \$515,978 (2014 - \$468,891) for employer contributions while employees contributed \$451,669 (2014 - \$401,459) to the Plan in fiscal 2015.

- (c) A claim has been filed against the District in relation to claims for loss and compensation arising from a highway widening 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.
- (d) A claim has been filed against the District in relation to claims for loss and compensation arising from a property development undertaken within the District. The District and its lawyers have reviewed the claim and believe that the District is potentially exposed to a loss. At the date of the financial statements, a provision for the settlement of the claim has been made. The extent of the contingent liability has not been disclosed as negotiations with the claimant are ongoing.

Financial Section

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

For the year ended December 31, 2015

17. Funds held in trust

At the year end, the District held \$1,023,915 (2014 - \$978,650) in trust. These funds are not included in these consolidated financial statements. 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:

	2015	2014
Summerland scholarship	28,394	28,968
Cemetery perpetual care	360,313	355,306
Abernethy memorial	76,938	76,083
Summerland education funding	558,270	518,293
	1,023,915	978,650

18. Expenses by object

	2015	2014
Labour and benefits	6,425,646	6,377,047
Contracted services	4,504,620	4,317,746
Materials and supplies	10,764,000	9,851,817
Interest	1,689,510	1,771,392
Amortization	3,660,948	3,648,161
Other	165,671	110,146
	27,210,395	26,076,309

19. Annual Budget

The financial statements have included the Annual Budget as approved by Council on May 13, 2015. 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:

	2015	2014
Annual surplus	4,416,085	662,410
Capital expenditures	(8,835,609)	(2,444,358)
Principal repayment of debt	(2,029,748)	(2,273,533)
Transfers from accumulated surplus	5,153,022	4,055,481
Borrowing proceeds	1,296,250	-
Net annual budget	-	-

20. 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, 2015

21. 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.

Financial Section

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

As at December 31, 2015

21. Segmented information (cont'd)

	General government services	Protective services	Transpor- tation services	Environ- mental services	Health services	Planning & develop- ment services	Parks & recreation services	Water services	Sewer services	Electrical services	Actual 2015
REVENUE											
Property tax	7,579,042	-	-	-	-	-	-	-	-	-	7,579,042
Parcel tax	-	-	-	-	-	-	-	1,507,935	690,900	-	2,198,835
Government transfers - provincial	952,160	1,654	25,000	-	-	-	-	-	-	-	978,814
Government transfers - regional	-	-	-	-	-	-	-	-	395,236	-	395,236
User fees, sales, and rentals	159,400	7,141	33,301	1,286,882	50,178	-	814,350	2,865,204	1,017,253	10,243,811	16,477,520
Permits, licenses and fines	144,510	21,290	-	-	-	293,643	-	-	-	-	459,443
Investment income	135,998	-	-	-	-	-	-	6,719	6,804	-	149,521
Actuarial earnings	51,296	-	-	-	-	-	-	252,903	332,869	-	637,068
Penalties and interest on taxes	132,857	-	-	-	-	-	-	-	-	-	132,857
franchise	117,138	-	-	-	-	-	-	-	-	-	117,138
Contributions from developers	24,908	-	-	-	-	-	-	43,005	5,833	281,793	355,539
Other	40,551	-	2,248	-	-	-	-	25,490	210	46,752	115,251
Gain on disposal	(1,735)	-	-	-	-	-	-	(2,625)	-	(6,342)	(10,702)
	9,336,125	30,085	60,549	1,286,882	50,178	293,643	814,350	4,698,631	2,449,105	10,566,014	29,585,562
EXPENDITURES											
Labour and benefits	839,444	673,270	876,749	217,169	75,943	298,745	1,293,514	992,515	532,870	625,427	6,425,646
Contracted services	567,444	1,109,368	574,895	794,319	10,628	256,485	444,919	286,833	113,128	346,601	4,504,620
Materials and supplies	155,970	106,834	379,811	13,753	13,680	4,341	396,594	986,653	394,315	8,312,049	10,764,000
Interest	-	121,863	143,056	-	-	-	-	815,557	609,034	-	1,689,510
Amortization	56,621	154,173	1,290,243	14,365	613	5,664	195,405	1,087,875	689,330	166,659	3,660,948
Other	6,334	1,308	1,712	138,844	-	-	-	16,714	759	-	165,671
	1,625,813	2,166,816	3,266,466	1,178,450	100,864	565,235	2,330,432	4,186,147	2,339,436	9,450,736	27,210,395
SURPLUS (DEFICIT) FOR THE YEAR	7,710,312	(2,136,731)	(3,205,917)	108,432	(50,686)	(271,592)	(1,516,082)	512,484	109,669	1,115,278	2,375,167

Financial Section

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

As at December 31, 2015

21. Segmented information (cont'd)

	General government services	Protective services	Transpor- tation services	Environ- mental services	Health services	Planning & develop- ment services	Parks & recreation services	Water services	Sewer services	Electrical services	Actual 2014
REVENUE											
Property tax	7,333,189	-	-	-	-	-	-	-	-	-	7,333,189
Parcel tax	-	-	-	-	-	-	-	1,505,940	688,366	-	2,194,306
Government transfers - provincial	1,282,606	21,210	55,825	-	-	-	68,738	-	-	-	1,428,379
Government transfers - regional	-	-	-	-	-	-	-	-	397,126	-	397,126
User fees, sales, and rentals	129,283	4,471	-	1,267,980	45,285	-	813,173	2,648,212	901,824	10,518,441	16,328,669
Permits, licenses and fines	128,026	17,635	-	-	-	179,823	-	-	-	-	325,484
Investment income	94,987	-	-	-	-	-	-	7,390	7,486	-	109,863
Actuarial earnings	82,181	-	-	-	-	-	-	218,349	301,760	-	602,290
Penalties and interest on taxes	116,595	-	-	-	-	-	-	-	-	-	116,595
franchise	101,152	-	-	-	-	-	-	-	-	-	101,152
Contributions from developers	-	-	-	-	-	-	-	33,943	13,582	112,787	160,312
Development cost charges	-	-	250,000	-	-	-	-	-	-	-	250,000
Other	72,946	-	30,556	-	-	-	-	22,069	2,180	64,428	192,179
Gain on disposal	141,590	-	-	-	-	-	-	-	-	-	141,590
	9,482,555	43,316	336,381	1,267,980	45,285	179,823	881,911	4,435,903	2,312,324	10,695,656	29,681,134
EXPENDITURES											
Labour and benefits	1,049,224	617,054	822,988	192,459	59,945	303,573	1,231,144	886,823	510,818	703,019	6,377,047
Contracted services	542,885	1,318,810	456,494	785,001	10,134	240,390	356,367	239,867	114,220	253,578	4,317,746
Materials and supplies	176,172	92,782	355,108	23,008	9,938	8,241	376,924	825,710	312,136	7,671,798	9,851,817
Interest	-	140,568	165,015	-	-	-	-	844,078	621,731	-	1,771,392
Amortization	61,817	157,724	1,147,650	14,365	-	6,296	195,526	1,085,401	687,573	291,809	3,648,161
Other	26,235	1,238	1,712	63,160	-	-	-	16,961	840	-	110,146
	1,856,333	2,328,176	2,948,967	1,077,993	80,017	558,500	2,159,961	3,898,840	2,247,318	8,920,204	26,076,309
SURPLUS (DEFICIT) FOR THE YEAR	7,626,222	(2,284,860)	(2,612,586)	189,987	(34,732)	(378,677)	(1,278,050)	537,063	65,006	1,775,452	3,604,825

Permissive Tax Exemptions

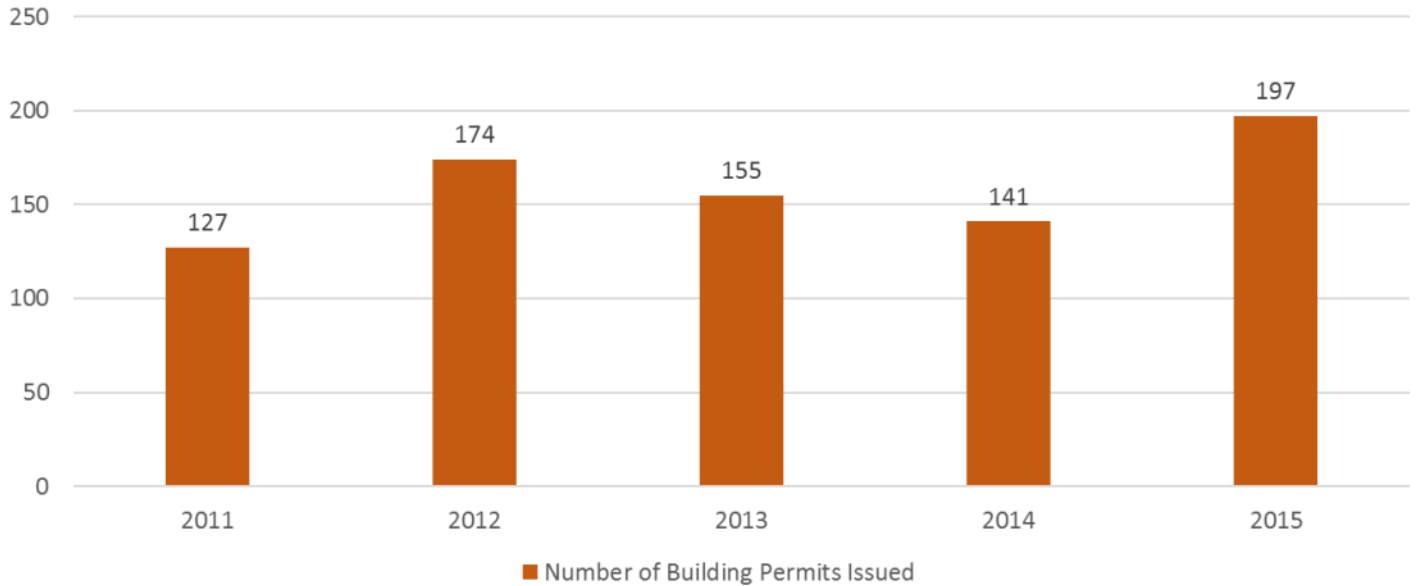
Through the adoption of an annual bylaw, the Municipal Council may provide a permissive exemption from taxation to certain groups and organizations. The legal capacity to provide these permissive tax exemptions is through powers granted to Council in the *Community Charter*, and qualification guidelines for an exemption are described in the District of Summerland's Permissive Tax Exemption Policy 200.2, available in person at the Municipal Hall or on the municipal website at www.summerland.ca.

Below is a listing of organizations granted a Permissive Tax Exemption in 2015 together with the estimated amount of municipal taxes that would have been imposed on each property if it were not considered exempt.

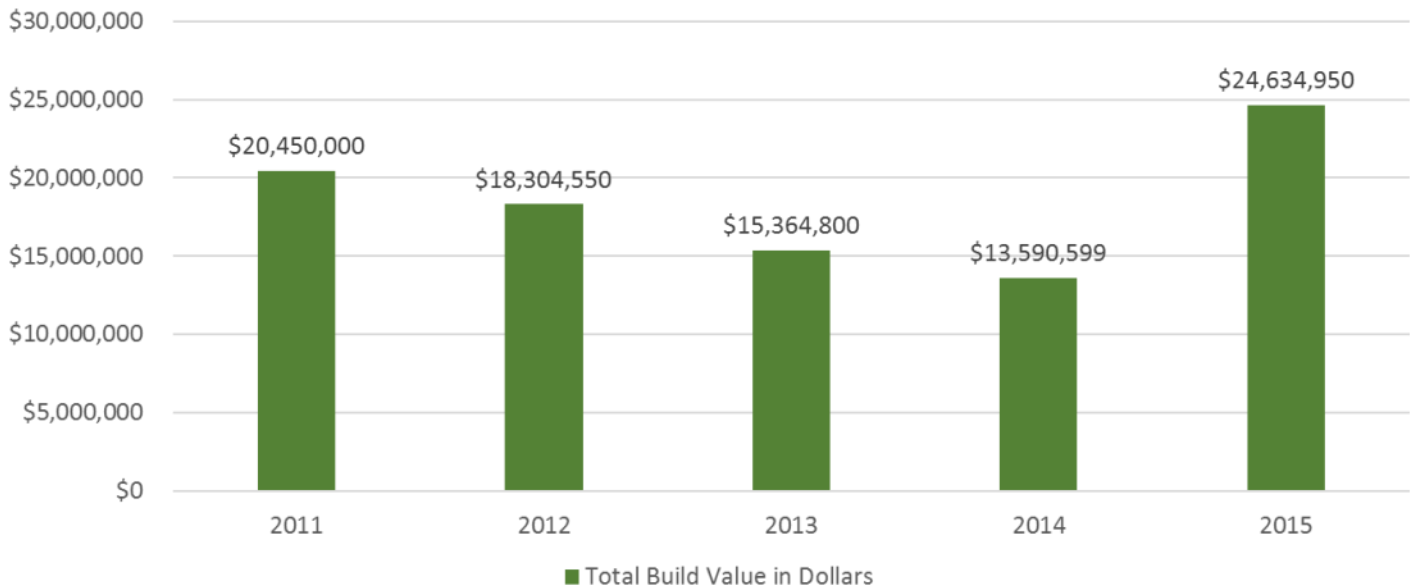
Organization	2015 Municipal Taxes
Christian and Missionary Alliance	\$5,247.55
Kettle Valley Railway Society	\$22,970.30
Lakeside Presbyterian Church	\$484.63
Okanagan Hindu Society	\$1,597.11
Roman Catholic Bishop of Nelson Church of the Holy Child	\$4,789.47
Royal Canadian Legion Branch 22	\$1,639.09
South Okanagan Montessori School Society	\$1,139.37
South Okanagan Sailing Association	\$8,873.74
St. John's Lutheran Church	\$2,714.53
St. Stephen Anglican Church	\$718.61
Summerland Baptist Church	\$1,848.99
Summerland Chamber of Commerce	\$3,538.04
Summerland Golf Society	\$19,461.47
Summerland Pentecostal Church	\$2,167.55
Summerland Recreation Society (Lakeshore Racquets Club)	\$3,202.09
Summerland Senior Citizens Drop-In Association	\$3,586.01
Summerland United Church	\$927.27
Summerland Yacht Club	\$11,695.20
Summerland Youth Centre Association	\$14,135.03
Trustees of the Summerland Congregation of Jehovah's Witnesses	\$2,858.37
Total	\$113,594.42

Statistical Information

2011-2015 Building Permits – Issued Permits

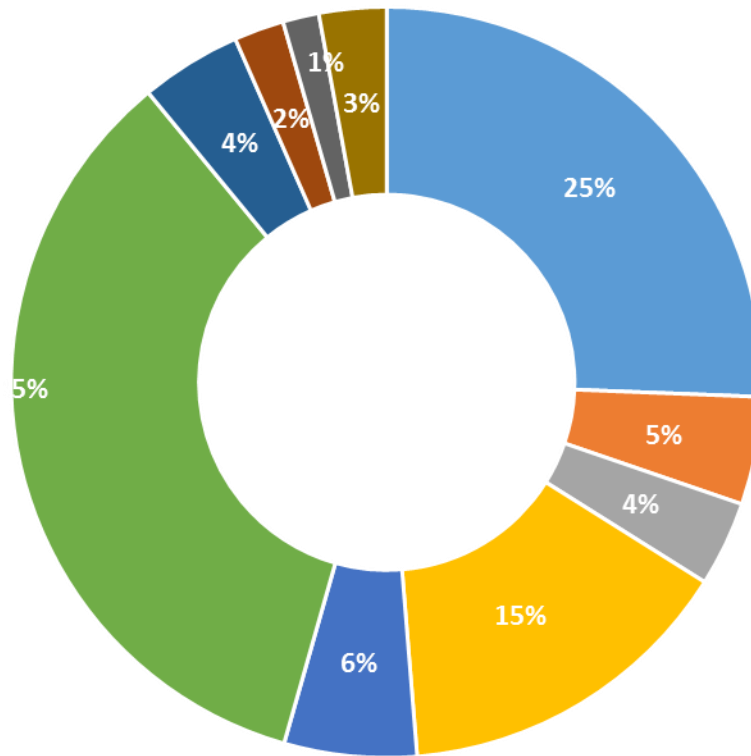


2011-2015 Building Permits – Build Values



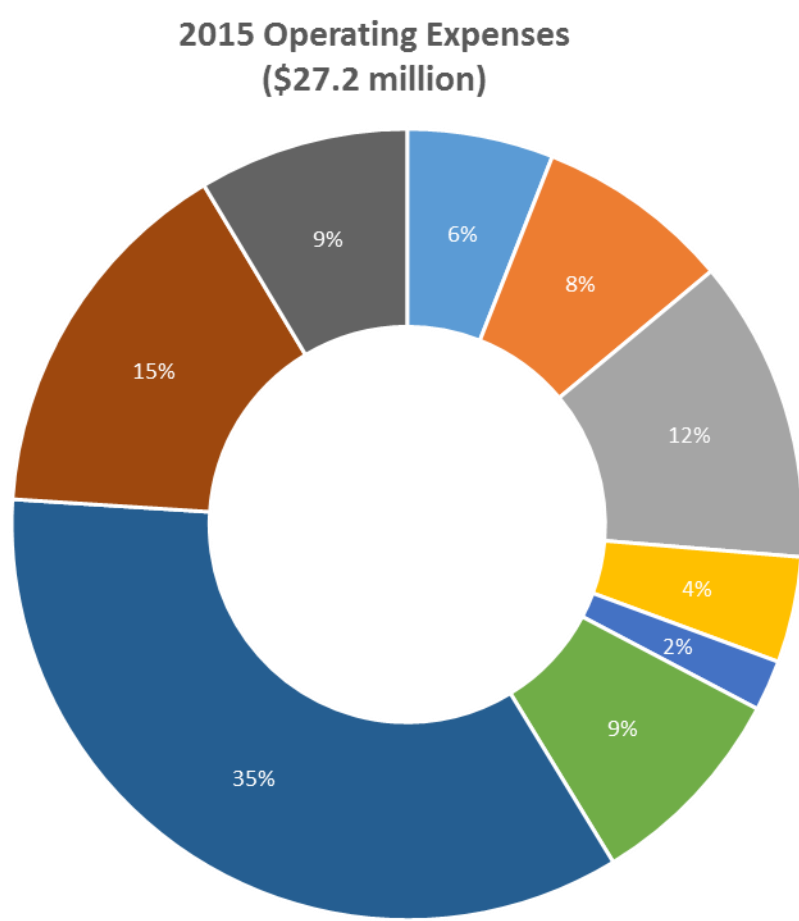
Statistical Information

2015 Operating Revenues
(\$29.6 million)



25% Property taxes	\$7,579,042
5% Grants	\$1,374,050
4% Sales of services and rentals	\$1,084,609
15% Water rates and parcel tax	\$4,373,139
6% Sewer rates and parcel tax	\$1,687,908
35% Electric rates	\$10,243,812
4% Solid waste (curbside and landfill)	\$1,286,882
2% Actuarial earnings	\$637,068
1% Licenses, permits and fines	\$459,443
3% Other - including interest earned and penalties	\$859,604

Statistical Information



6% General Government	\$1,625,813
8% Protective Services	\$2,166,815
12% Works	\$3,367,330
4% Solid waste	\$1,178,449
2% Planning and development services	\$565,235
9% Recreation and cultural services	\$2,330,432
35% Electric Utility	\$9,450,733
15% Water Utility	\$4,186,147
9% Sewer Utility	\$2,339,437

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