

The Corporation of the District of Summerland
Consolidated Financial Statements
Year ended December 31, 2014

The Corporation of the District of Summerland

Contents

For the year ended December 31, 2014

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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 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 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.

May 11, 2015



Chief Financial Officer

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, 2014, 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, 2014 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.

Other Matters

The consolidated financial statements of The Corporation of the District of Summerland for the year ended December 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on June 23, 2014.

Kelowna, British Columbia

May 11, 2015

MNP LLP

Chartered Accountants

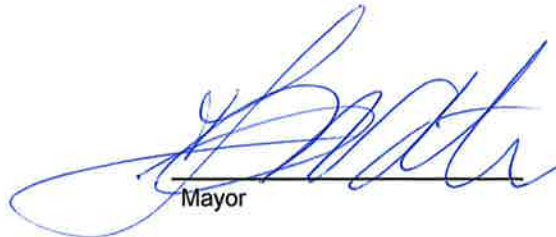
The Corporation of the District of Summerland
Consolidated Statement of Financial Position
December 31, 2014, with comparative figures for 2013

	2014	2013
Financial assets		
Cash and cash equivalents	5,392,164	6,669,588
Accounts receivable (Note 2)	2,838,030	2,897,185
Portfolio investments (Note 3)	5,871,936	1,838,904
Land available for resale	1,230,192	1,220,098
Deposit - Municipal Finance Authority (Note 4)	604,580	605,893
	15,936,902	13,231,668
Financial liabilities		
Accounts payable and accrued liabilities (Note 5)	3,334,096	3,887,952
Landfill closure and post closure liability (Note 6)	280,167	217,007
Deferred revenue (Note 7)	2,911,337	3,532,053
Deposits (Note 8)	1,521,135	1,153,681
Long-term debt (Note 9)	25,632,579	27,677,355
Obligations under capital lease (Note 10)	329,345	538,497
	34,008,659	37,006,545
Net debt	(18,071,757)	(23,774,877)
Non-financial assets		
Tangible capital assets (Note 11)	106,540,846	108,841,722
Prepays	272,109	83,864
Inventories of supplies	1,069,920	1,055,584
	107,882,875	109,981,170
Accumulated surplus (Note 12)	89,811,118	86,206,293

Contingent liabilities and commitments (Note 16)



Chief Financial Officer



Mayor

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

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

For the year ended December 31, 2014

	Budget (Note 19)	2014	2013
Revenue			
Taxation - net (Note 14)	9,492,986	9,527,495	9,280,509
Government transfers - Provincial (Note 15)	566,502	1,428,379	1,209,987
Government transfers - Regional (Note 15)	394,067	397,126	383,360
User fees, sales and rentals	15,308,766	16,312,069	15,077,541
Permits, licenses and fines	329,720	325,484	300,090
Investment income	43,500	109,863	177,950
Actuarial earnings	621,892	602,290	525,592
Penalties and interest on taxes	90,000	116,595	96,437
Franchise	101,000	101,152	108,003
Contribution from developers	255,000	160,312	291,860
Development cost charges	-	250,000	1,600,000
Other	592,200	192,179	221,572
Gain on disposal of tangible capital assets	-	141,590	7,520
	27,795,633	29,664,534	29,280,421
Expenses			
General government services	1,720,667	1,795,327	1,772,086
Protection services	2,203,757	2,030,523	1,960,836
Transportation services	1,850,939	1,372,760	1,772,393
Environmental services	935,307	1,064,763	962,410
Health services	106,375	80,017	99,679
Planning and development	624,620	552,388	668,854
Parks and recreation	2,076,515	1,976,631	2,057,417
Water services	2,225,638	1,955,490	2,102,821
Sewer services	1,047,822	940,670	1,075,846
Electrical services	9,109,342	8,871,587	8,587,851
Debt financing	1,797,241	1,771,392	1,675,291
Amortization	3,435,000	3,648,161	3,570,201
	27,133,223	26,059,709	26,305,685
Annual surplus	662,410	3,604,825	2,974,736
Accumulated surplus, beginning of year	86,206,293	86,206,293	83,231,557
Accumulated surplus, end of year	86,868,703	89,811,118	86,206,293

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

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

For the year ended December 31, 2014

	2014 (Budget Note 19)	2014	2013
Annual surplus	662,410	3,604,825	2,974,736
Acquisition of tangible capital assets	(2,444,358)	(1,509,255)	(4,736,660)
Amortization of tangible capital assets	3,435,000	3,648,161	3,570,201
Gain on disposal of tangible capital assets	-	(141,590)	(7,520)
Proceeds on sale of tangible capital assets	-	303,560	16,900
	1,653,052	5,905,701	1,817,657
Change in prepaids	-	(188,245)	(51,862)
Change in inventory of supplies	-	(14,336)	181,476
	1,653,052	5,703,120	1,947,271
Net debt, beginning of year	(23,774,877)	(23,774,877)	(25,722,148)
Net debt, end of year	(22,121,825)	(18,071,757)	(23,774,877)

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

The Corporation of the District of Summerland Consolidated Statement of Cash Flows

For the year ended December 31, 2014

	2014	2013
Operating transactions		
Annual surplus	3,604,825	2,974,736
Items not involving cash		
Amortization	3,648,161	3,570,201
Gain on disposal of tangible capital assets	(141,590)	(7,520)
Landfill closure and post closure costs	63,160	28,529
Development cost charges recognized as revenue	(250,000)	(1,600,000)
Gas Tax funding recognized as revenue	(488,750)	-
Proceeds from new capital leases	-	40,660
	2,830,981	2,031,870
Changes in non-cash operating balances		
Accounts receivable	59,155	78,262
Land held for resale	(10,094)	307,209
Prepays	(188,245)	(51,862)
Inventories of supplies	(14,336)	181,476
Accounts payable and accrued liabilities	(553,855)	756,704
Deferred revenue	118,034	706,701
Actuarial reduction of long-term debt	(602,290)	(525,592)
Deposit - Municipal Finance Authority	1,313	(28,161)
Deposits	367,454	70,498
	(822,864)	1,495,235
	5,612,942	6,501,841
Capital transactions		
Acquisition of tangible capital assets	(1,509,255)	(4,736,660)
Proceeds on disposal of tangible capital assets	303,560	16,900
	(1,205,695)	(4,719,760)
Investing transactions		
Proceeds on disposal of portfolio Investments	-	1,039,433
Acquisition of portfolio investments	(4,033,032)	(174,220)
	(4,033,032)	865,213
Financing transactions		
Proceeds from issuance of long-term debt	-	1,000,000
Repayment of long-term debt	(1,442,486)	(1,242,485)
Repayment of obligations under capital lease	(209,152)	(254,420)
	(1,651,638)	(496,905)
Net change in cash and cash equivalents	(1,277,424)	2,150,389
Cash and cash equivalents, beginning of year	6,669,588	4,519,199
Cash and cash equivalents, end of year	5,392,164	6,669,588

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

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

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 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, 2014

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) Expenditures

Expenditures 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 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, 2014

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) 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.

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

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 and building improvements	20-50
Roads and sidewalks	20-50
Machinery and equipment	5-15
Water utility	10-80
Sewer utility	10-50
Electric utility	10-50

Annual amortization is charged in the year of 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.

(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.

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

1. Significant accounting policies (continued)

(p) 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 and valuation of accounts receivable.

(q) Recent accounting pronouncements:

In June 2010, the Public Sector Accounting Board issued PS 3260 *Liability for Contaminated Sites* to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements. PS 3260 is effective for fiscal years beginning on or after April 1, 2014. The District has not yet determined the effect of the new section on its financial statements.

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

2. Accounts receivable

	2014	2013
Property taxes	784,674	776,649
Utilities	1,495,316	1,417,579
Other governments	171,024	96,332
Trade and other	387,016	606,625
	2,838,030	2,897,185

3. Portfolio investments

	2014	2013
Cash and bond funds	32,492	31,251
Money market funds	64,607	63,911
Guaranteed Investment Certificates	1,773,249	1,743,742
Term Deposits	4,001,588	-
	5,871,936	1,838,904

The income from portfolio investments for the year was \$123,247 (2013 - \$174,220). The market value of the District's portfolio investments was \$5,871,936 (2013 - \$1,838,904).

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 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	2014 Total	2013 Total
General fund	179,202	76,415	255,617	315,225
Water fund	567,605	262,393	829,998	822,608
Sewer fund	419,340	265,772	685,112	677,626
	1,166,147	604,580	1,770,727	1,815,459

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

5. Accounts payable and accrued liabilities

	2014	2013
Trade and other	2,242,316	2,740,054
Wages and benefits	722,377	775,701
Due to funds held in trust	369,403	372,197
	3,334,096	3,887,952

6. Landfill closure and post closure costs

	2014	2013
Landfill closure costs	180,509	141,932
Landfill post closure costs	99,658	75,075
	280,167	217,007

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, leachate collection system operation 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. In a report dated March 19, 2014, TRUE Consulting has projected the remaining life of the 950,000 m³ of airspace in the landfill to be 52 years, closing in the year 2067. Landfill closure costs are estimated at \$180,509 (2013 — \$141,932). As at December 31, 2014, the landfill closure costs are fully funded whereas the 2013 balance was unfunded.

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 \$99,658 for 2014 (2013 - \$75,075) based on 10.6% of the landfill capacity used to this date and a 52 year lifespan to 2067 and a discount rate of 2.17%. Post closure costs are expected to be funded by annual budget appropriations in the years in which they are incurred.

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

7. Deferred revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	488,750	511,130	8,145	(1,008,025)	-
Development charges	3,043,303	85,630	32,404	(250,000)	2,911,337
	3,532,053	596,760	40,549	(1,258,025)	2,911,337

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the District and the Province of British Columbia. Gas tax funding may be used towards designated community energy, water, wastewater, solid waste and capacity building projects as specified in the funding agreements. The city collects development cost charges to pay for a proportionate share of infrastructure related to new growth. When the related costs are incurred, the development cost charges are recognized as revenue.

8. Deposits

	2014	2013
Property taxes and business licenses	882,433	764,148
Other	638,702	389,533
	1,521,135	1,153,681

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

For the year ended December 31, 2014

9. Long-term debt

Long-term debt reported on the consolidated statement of financial position is made up of the following:

	2014	2013
Outstanding debt- beginning of year	27,677,355	28,445,432
Repayment of debt	(1,442,486)	(1,242,485)
Actuarial reduction of principal	(602,290)	(525,592)
New borrowing	-	1,000,000
	25,632,579	27,677,355

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

	General Fund	Water Fund	Sewer Fund	Total
2015	453,645	890,524	685,578	2,029,747
2016	464,361	926,475	718,175	2,109,011
2017	475,535	963,879	672,091	2,111,505
2018	487,185	1,002,795	703,873	2,193,853
2019	299,332	1,043,284	737,171	2,079,787
2020 and thereafter	3,596,458	7,936,647	3,575,572	15,108,676
	5,776,516	12,763,604	7,092,459	25,632,579

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

For the year ended December 31, 2014

9. Long-term debt (cont'd)

Bylaw Number	Purpose	Year Maturing	%	2014 Cash Payments		Balance Outstanding	
				Interest	Principal	2014	2013
General fund							
99-038	Road Improvements	2014	3.150	31,500	49,807	-	90,970
00-083	Road Improvements	2026	5.690	30,500	30,243	464,313	518,625
00-083	Road Improvements	2030	4.500	90,000	67,164	1,714,793	1,790,342
00-399	RCMP Building	2030	4.200	131,250	104,943	2,797,410	2,910,916
	Prairie Valley Road	2018	variable	17,226	200,000	800,000	1,000,000
						5,776,516	6,310,853
Water fund							
99-039	Water works upgrade	2019	2.100	31,500	33,149	343,947	404,065
00-161	Water works upgrade	2025	4.170	250,200	201,491	3,867,667	4,143,421
00-213	Thirsk Dam Expansion	2026	4.660	279,600	201,491	4,143,421	4,408,569
00-195	Water works upgrade	2027	4.820	289,200	201,490	4,408,569	4,663,518
						12,763,604	13,619,573
Sewer fund							
96-043	Sewer Treatment plant land	2016	4.430	44,300	30,243	149,204	218,521
(a) 98-034	Sewer System construction	2023	4.650	418,500	188,572	4,538,857	4,930,885
(a) 99-040	Sewer System construction	2019	2.100	31,500	33,149	343,947	404,065
(a) 00-192	Sewer System construction	2025	4.170	33,360	26,865	515,689	552,456
(a) 00-207	Sewer System construction	2026	4.660	93,200	67,164	1,381,140	1,469,523
(a) 00-192	Sewer System construction	2029	4.130	8,260	6,716	163,622	171,479
						7,092,459	7,746,929
(a) Recovered from specific area taxation						1,780,096	1,442,486
						25,632,579	27,677,355

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

For the year ended December 31, 2014

10. Obligations under capital leases

	2014	2013
Obligation under capital lease, Prime minus 1%, blended monthly payments of \$713, due May 2018.	28,249	36,150
Obligation under capital lease, Prime minus 1%, blended monthly payments of \$5,089, due February 2014.	-	7,579
Obligation under capital lease, Prime minus 1%, blended monthly payments of \$3,678, due November 2015.	39,819	82,690
Obligation under capital lease, Prime minus 1%, blended monthly payments of \$9,834, due March 2016.	145,730	259,593
Obligation under capital lease, Prime minus 1%, blended monthly payments of \$3,304, due December 2017.	115,547	152,485
	329,345	538,497

Obligations under capital leases are secured by a fire truck, Hyundai loader, Caterpillar loader and a mower. Interest paid relating to the above obligations on capital leases was \$11,373 (2013 - \$13,426). The future minimum lease payments for the next four years are:

2015	206,670
2016	77,705
2017	48,201
2018	3,330
	335,906
Less imputed interest:	(6,561)
	329,345

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

For the year ended December 31, 2014

11. Tangible capital assets

											2014	2013
	Land	Land Improvements	Buildings	Machinery and Equipment	Roads and Sidewalks	Water Utility	Sewer Utility	Electric Utility	Total	Total		
Cost, beginning of year	5,802,884	3,178,669	12,693,204	9,857,974	35,155,529	47,083,452	33,793,057	9,568,251	157,133,020	152,588,768		
Additions	-	136,312	12,261	266,526	489,139	81,073	26,794	181,361	1,193,466	4,736,660		
Work in Process	-	17,403	-	150,798	-	49,227	35,916	62,445	315,789	-		
Disposals	(1,000)	-	(532,574)	-	(28,893)	-	-	-	(562,467)	(192,408)		
Cost, end of year	5,801,884	3,332,384	12,172,891	10,215,298	35,615,775	47,213,752	33,855,767	9,812,057	158,079,808	157,133,020		
Accumulated amortization, beginning of year	-	-	5,506,164	5,518,552	15,508,468	8,898,068	10,212,581	2,647,465	48,291,298	44,904,125		
Amortization	-	-	248,444	474,723	860,211	1,085,401	687,573	291,809	3,648,161	3,570,201		
Disposals	-	-	(372,802)	-	(27,695)	-	-	-	(400,497)	(183,028)		
Accumulated amortization, end of year	-	-	5,381,806	5,993,275	16,340,984	9,983,469	10,900,154	2,939,274	51,538,962	48,291,298		
Net carrying amount, end of year	5,801,884	3,332,384	6,791,085	4,282,023	19,274,791	37,230,283	22,955,613	6,872,783	106,540,846	108,841,722		

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 \$315,789 for 2014 (\$NIL in 2013). Assets held under capital leases of \$984,510 (2013 - \$1,304,234) with related accumulated amortization of \$193,571 (2013 - \$221,105) are included in Machinery and Equipment. No contributed infrastructure tangible capital assets were recognized in the consolidated financial statements during the year.

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

For the year ended December 31, 2014

12. Accumulated surplus

The District segregates its accumulated surplus in the following categories:

	2014	2013
Current funds	6,767,538	4,603,623
Community Works	1,008,025	-
Unfunded liability - landfill closure and post closure costs	-	217,007
Net current funds	7,775,563	4,386,616
Investment in tangible capital assets	80,578,921	80,625,870
Reserve funds		
Tax sale	6,961	86,453
Land sale	518,625	211,094
Capital works	856,446	834,401
Parking	74,601	61,859
	89,811,118	86,206,293

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.

13. Statutory reserve funds

	Opening balance	Contributions received	Investment income	Expenditure	Ending balance
Tax sale	86,453	-	508	(80,000)	6,961
Land sale	211,094	303,560	3,971	-	518,625
Capital	834,401	12,844	9,201	-	856,446
Parking	61,859	12,000	742	-	74,601
	1,193,807	328,405	14,423	(80,000)	1,456,634

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

14. Taxation - net

Taxation revenue, reported on the consolidated statement of operations, is made up of the following:

	2014	2013
Property taxes and payments-in-lieu	9,527,495	9,280,509
Collections for other governments		
Province of British Columbia - school tax	5,183,292	5,145,335
Regional District	570,366	564,543
Regional Hospital District	690,606	617,902
Municipal Finance Authority	450	450
British Columbia Assessment Authority	143,427	142,552
Okanagan Regional Library	454,670	436,804
	16,570,306	16,188,095
Transfers		
Regional District	570,366	564,543
Province of British Columbia - school tax	5,183,292	5,145,335
Regional Hospital District	690,606	617,902
Municipal Finance Authority	450	450
British Columbia Assessment Authority	143,427	142,552
Okanagan Regional Library	454,670	436,804
	7,042,811	6,907,586
Available for general municipal purposes	9,527,495	9,280,509

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

For the year ended December 31, 2014

15. Government transfers

The government transfers reported on the consolidated statement of operations are:

	<u>2014</u>	<u>2013</u>
Provincial Transfers		
Small community grants	233,586	235,050
Traffic fine revenue sharing	49,140	48,954
Infrastructure grants	-	886,520
Community Works	1,089,828	-
Other contributions	55,825	39,463
	<u>1,428,379</u>	<u>1,209,987</u>
Regional transfers		
Okanagan basin water board	397,126	383,360
Total government transfer revenues	<u>1,825,505</u>	<u>1,593,347</u>

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

For the year ended December 31, 2014

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 (Plan), a jointly trustee 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 179,000 active members and approximately 71,000 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 \$468,891 (2013 - \$481,945) for employer contributions while employees contributed \$401,459 (2013 - \$407,799) to the Plan in fiscal 2014.

- (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 financial statements, neither the outcome nor the potential settlement can be foreseen at this time. No provision has been made in the financial statements.

17. Funds held in trust

At the year end, the District held \$978,649 (2013 - \$969,498) 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:

	2014	2013
Summerland scholarship	28,968	30,643
Cemetery perpetual care	355,306	351,091
Abernethy memorial	76,083	75,259
Summerland education funding	518,293	512,505
	<u>978,649</u>	<u>969,498</u>

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

For the year ended December 31, 2014

18. Expenditures by object

	2014	2013
Salaries, wages and employee benefits	6,630,951	7,184,255
Contracted and general services	4,421,198	4,257,773
Materials, goods, supplies and utilities	9,474,380	9,546,603
Debt financing	1,771,392	1,675,291
Amortization	3,648,161	3,570,201
Other	113,627	71,562
	26,059,709	26,305,685

19. Annual Budget

The financial statements have included the Annual Budget as approved by Council on May 14, 2014. 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:

	2014	2013
Annual Surplus	662,410	5,770,069
Capital Expenditures	(2,444,358)	(3,660,863)
Principal Repayment of Debt	(2,273,533)	(2,722,109)
Transfers from Accumulated Surplus	4,055,481	612,903
Net Annual Budget from 2014 Financial Plan	-	-

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, 2014

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.

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

For the year ended December 31, 2014

21. Segmented Information (cont'd)

	General Government Services										Actual 2014
	Government Services	Protective Services	Transportation Services	Environmental Services	Health & Develop Services	Planning Services	Parks & Recreation Services	Water Services	Sewer Services	Electrical Services	
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	2,631,612	901,824	10,518,441	16,312,069
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	4,419,303	2,312,324	10,695,656	29,664,534
Expenditures											
Labour and Benefits	1,275,860	617,054	822,988	219,727	59,945	303,573	1,231,144	886,823	510,818	703,019	6,630,951
Contracted Services	642,486	1,318,810	456,494	788,852	10,134	240,390	356,367	239,867	114,220	253,578	4,421,198
Materials and Supplies	213,265	93,421	91,566	24,223	9,938	8,425	389,120	811,839	314,792	7,914,990	9,871,579
Administrative Recovery	(366,000)	-	-	(31,199)	-	-	-	-	-	-	(397,199)
Interest	305,583	-	-	-	-	-	-	844,078	621,731	-	1,771,392
Amortization	1,583,378	-	-	-	-	-	-	1,085,401	687,573	291,809	3,648,161
Other	29,716	1,238	1,712	63,160	-	-	-	18,961	840	-	113,627
	3,684,288	2,030,523	1,372,780	1,064,763	80,017	552,388	1,976,631	3,884,969	2,249,974	9,163,396	26,059,709
Surplus for the year	5,798,267	(1,987,207)	(1,036,379)	203,217	(34,732)	(372,565)	(1,094,720)	534,334	62,350	1,532,260	3,604,825

