

The Corporation of the District of Summerland
Consolidated Financial Statements
Year ended December 31, 2016

The Corporation of the District of Summerland

Contents

For the year ended December 31, 2016

	Page
Management's Responsibility	
Independent Auditor's Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Changes in Net Debt	3
Consolidated Statement of Cash Flows	4
Notes to the Consolidated Financial Statements	5

Management's Responsibility

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

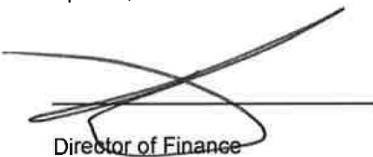
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual 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 24, 2017



Director of Finance

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, 2016, 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, 2016 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 24, 2017


MNP LLP
Chartered Professional Accountants

**The Corporation of the District of Summerland
Consolidated Statement of Financial Position**

As at December 31, 2016

	2016	2015
		(Restated - Note 19)
Financial assets		
Cash and cash equivalents	12,591,586	3,886,513
Accounts receivable (Note 2)	3,351,436	2,977,854
Portfolio investments (Note 3)	6,477,508	10,923,303
Deposit - Municipal Finance Authority (Note 4)	614,881	620,060
	23,035,411	18,407,730
Financial liabilities		
Accounts payable and accrued liabilities (Note 5)	3,691,038	3,956,393
Landfill closure and post closure liability (Note 6)	621,233	419,011
Deferred revenue (Note 7)	4,916,800	4,597,698
Deposits	828,218	697,572
Long-term debt (Note 8)	21,851,905	23,602,832
Obligations under capital lease (Note 9)	50,912	127,217
	31,960,106	33,400,723
Net debt	(8,924,695)	(14,992,993)
Non-financial assets		
Tangible capital assets (Note 10)	105,374,355	107,160,336
Prepays	321,930	305,809
Inventories of supplies	1,092,317	1,188,133
	106,788,602	108,654,278
Accumulated surplus (Note 11)	97,863,907	93,661,285

Contingent liabilities and commitments (Note 15)



Director of Finance



Mayor

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

For the year ended December 31, 2016

	Budget (Note 17)	2016	2015 (Restated - Note 19)
Revenue			
Taxation, net (Note 13)	10,286,795	10,280,410	9,777,877
Government transfers - Provincial (Note 14)	3,352,565	1,378,274	978,814
Government transfers - Regional (Note 14)	392,281	387,043	395,236
User fees, sales and rentals	17,565,488	17,390,174	16,477,520
Permits, licenses and fines	375,260	505,240	459,443
Investment income	87,000	198,657	149,521
Actuarial earnings	702,623	702,624	637,068
Penalties and interest on taxes	120,000	110,884	132,857
Franchise	90,500	90,496	117,138
Contributions	553,500	151,673	1,830,539
Other	1,751,951	174,841	115,251
Gain (loss) on disposal of tangible capital assets	-	587,889	(10,702)
	35,277,963	31,958,205	31,060,562
Expenses			
General government services	1,575,291	1,173,119	1,625,813
Protection services	2,793,376	2,614,711	2,166,816
Transportation services	4,286,486	3,029,040	3,266,466
Environmental services	1,301,254	1,292,074	1,178,450
Health services	131,905	114,543	100,864
Planning and development	794,268	616,720	565,235
Parks and recreation	2,571,849	2,479,364	2,330,432
Water services	4,668,572	4,110,689	4,186,147
Sewer services	2,677,715	2,388,536	2,339,436
Electrical services	10,362,981	9,936,787	9,450,736
	31,163,697	27,755,583	27,210,395
Annual surplus	4,114,266	4,202,622	3,850,167
Accumulated surplus, beginning of year	93,661,285	93,661,285	89,811,118
Accumulated surplus, end of year	97,775,551	97,863,907	93,661,285

The accompanying notes are an integral part of these financial statements

The Corporation of the District of Summerland
Consolidated Statement of Changes in Net Debt
For the year ended December 31, 2016

	Budget	2016	2015
	(Note 17)		(Restated - Note 19)
Annual surplus	4,114,266	4,202,622	3,850,167
Acquisition of tangible capital assets	(7,794,731)	(1,928,750)	(3,071,042)
Reclassification of land	-	-	(1,220,098)
Amortization of tangible capital assets	3,773,000	3,604,124	3,660,948
Loss (gain) on disposal of tangible capital assets	-	(587,889)	10,702
Proceeds on sale of tangible capital assets	-	698,496	-
	92,535	5,988,603	3,230,677
Change in prepaids	-	(16,121)	(33,700)
Change in inventory of supplies	-	95,816	(118,213)
Decrease in net debt	92,535	6,068,298	3,078,764
Net debt, beginning of year	(14,992,993)	(14,992,993)	(18,071,757)
Net debt, end of year	(14,900,458)	(8,924,695)	(14,992,993)

The accompanying notes are integral to these financial statements

The Corporation of the District of Summerland
Consolidated Statement of Cash Flows
For the year ended December 31, 2016

	2016	2015
		(Restated - Note 19)
Operating transactions		
Annual surplus	4,202,622	3,850,167
Items not involving cash		
Amortization	3,604,124	3,660,948
Loss (gain) on disposal of tangible capital assets	(587,889)	10,702
Landfill closure and post closure costs	202,222	138,844
Developer contributions (Restated - Note 19)	-	(1,475,000)
	3,218,457	2,335,494
Changes in non-cash operating balances		
Accounts receivable	(373,582)	(129,730)
Prepays	(16,121)	(33,700)
Inventories of supplies	95,816	(118,213)
Accounts payable and accrued liabilities	(265,355)	622,297
Deferred revenue	319,102	803,928
Actuarial reduction of long-term debt	(702,624)	(637,068)
Deposit - Municipal Finance Authority	5,179	(15,480)
Deposits received	130,646	58,870
	(806,939)	550,904
	6,614,140	6,736,565
Capital transactions		
Acquisition of tangible capital assets	(1,928,750)	(1,596,042)
Proceeds on disposal of tangible capital assets	698,496	-
	(1,230,254)	(1,596,042)
Investing transactions		
Disposal (acquisition) of portfolio investments	4,445,795	(5,051,367)
Financing transactions		
Repayment of long-term debt	(1,414,303)	(1,392,679)
Proceeds of long-term debt	366,000	-
Repayment of obligations under capital lease	(76,305)	(202,128)
	(1,124,608)	(1,594,807)
Net change in cash and cash equivalents	8,705,073	(1,505,651)
Cash and cash equivalents, beginning of year	3,886,513	5,392,164
Cash and cash equivalents, end of year	12,591,586	3,886,513

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, 2016

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

1. Significant accounting policies

The consolidated financial statements of the District are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada. Significant accounting policies adopted by the District are as follows:

(a) Basis of consolidation

(i) Consolidated entities

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

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

(ii) Accounting for other government organizations and School Board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the other government entities and the School Boards with which the District interacts are not reflected in these consolidated financial statements. Funds collected by the District on behalf of these other entities and transmitted to them are summarized in Note 13. Funds received by the District as transfers from other government entities are summarized in Note 14.

(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, 2016

1. Significant accounting policies (continued)

(c) Revenue recognition

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

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

Non-government conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

(d) Deferred revenue

Funds received from non-government sources for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

(e) Investment income

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

(f) Reserves

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

(g) Cash and cash equivalents

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

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

1. Significant accounting policies (continued)

(h) Accounts receivable

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

(i) Portfolio investments

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

(j) Inventory

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

(k) Long-term debt

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

(l) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the District is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2016.

At each financial reporting date, the District reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(m) Non-financial assets

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

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

1. Significant accounting policies (continued)

(i) Tangible capital assets

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

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

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

(ii) Contributions of tangible capital assets

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

(iii) Works of art and cultural and historic assets

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

(iv) Interest capitalization

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

(v) 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, 2016

1. Significant accounting policies (continued)

(n) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, 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.

(o) Recent accounting pronouncements

(i) PS 2200 *Related Party Disclosures*

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the PSAB issued a new standard, PS 2200 *Related Party Disclosures*.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

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

(ii) PS 3210 *Assets*

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

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

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

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

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

1. Significant accounting policies (continued)

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

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

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

(iii) PS 3320 *Contingent Assets*

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

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

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

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

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

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

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

(iv) PS 3380 *Contractual Rights*

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook. This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

1. Significant accounting policies (continued)

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right. Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

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

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

2. Accounts receivable

	2016	2015
Property taxes	699,743	746,217
Utilities	1,762,822	1,625,980
Other governments	537,133	108,561
Development cost charges	68,749	137,499
Trade and other	283,009	359,597
	3,351,436	2,977,854

3. Portfolio investments

	2016	2015
Cash and bond funds	8,930	10,949
Money Market funds	6,677	65,159
Guaranteed Investment Certificates	6,403,901	6,845,668
Term Deposits	-	4,001,527
	6,477,508	10,923,303

The income from portfolio investments for the year was \$215,797 (2015 - \$168,749), where \$17,140 (2015 - \$19,228) has been deferred. The market value of the District's portfolio investments was \$6,477,508 (2015 - \$10,923,303).

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

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	2016	2015
General fund	179,202	80,562	259,764	257,574
Water fund	567,605	276,634	844,239	836,716
Sewer fund	384,107	257,685	641,792	691,917
	1,130,914	614,881	1,745,795	1,786,207

5. Accounts payable and accrued liabilities

	2016	2015
Trade and other	2,644,070	2,908,049
Wages and benefits	655,518	640,111
Due to funds held in trust	391,450	408,233
	3,691,038	3,956,393

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

6. Landfill closure and post closure liability

	2016	2015
Landfill closure costs	383,708	264,024
Landfill post closure costs	237,525	154,987
	621,233	419,011

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 50 years, closing in the year 2067. Landfill closure costs are estimated at \$383,708 (2015 - \$264,024). As at December 31, 2016, the landfill closure costs are fully funded.

Post closure costs are estimated to manage the closed landfill for a period of 25 years, the statutory period required by the Province, using a number of factors including the unused capacity of the landfill, the probable closure date, the annual maintenance costs and the present value discount rate. The discount rate is the difference between the long-term Municipal Financing Authority borrowing rate and the current Consumer Price Index.

The estimate of the annual costs is \$150,000. Total post closure costs are estimated to be \$237,525 for 2016 (2015 - \$154,987) based on 12.9% (2015 – 11.7%) of the landfill capacity used to this date and a 50-year lifespan to 2067 and a discount rate of 1.12% (2015 – 1.65%). Post closure costs are expected to be funded by annual budget appropriations in the years in which they are incurred.

7. Deferred revenue

	Opening balance	Deferred transactions	Externally restricted investment income	Revenue recognized	2016 Ending balance
Development cost charges	3,579,679	188,236	41,013	-	3,808,928
Property taxes and business licenses	1,018,019	1,036,839	-	(946,986)	1,107,872
	4,597,698	1,225,075	41,013	(946,986)	4,916,800

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

For the year ended December 31, 2016

8. Long-term debt

	2016	2015
Outstanding debt, beginning of year	23,602,832	25,632,579
Repayment of debt	(1,414,303)	(1,392,679)
Actuarial reduction of principal	(702,624)	(637,068)
New Borrowing	366,000	-
	21,851,905	23,602,832

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

	General Fund	Water Fund	Sewer Fund	Total
2017	475,535	969,617	686,477	2,131,629
2018	487,185	1,007,182	718,488	2,212,856
2019	299,332	1,046,212	752,012	2,097,556
2020	311,999	1,008,359	708,715	2,029,072
2021	325,206	1,046,941	741,935	2,114,082
2022 and thereafter	2,959,253	5,861,310	2,446,147	11,266,710
	4,858,510	10,939,621	6,053,774	21,851,905

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

For the year ended December 31, 2016

8. Long-term debt (continued)

Bylaw Number	Purpose	Year Maturing	% Rate	2016 Cash Payments		Balance Outstanding	
				Interest	Principal	2016	2015
General fund							
00-083	Road Improvements	2026	1.750	30,500	30,243	347,408	407,287
00-083	Road Improvements	2030	4.500	90,000	67,164	1,554,506	1,636,221
00-399	RCMP Building	2030	4.200	131,250	104,943	2,556,595	2,679,363
Oct 15/13	Prairie Valley Road	2018	variable	8,175	200,000	400,000	600,000
				<u>259,925</u>	<u>402,350</u>	4,858,509	<u>5,322,871</u>
Water fund							
99-039	Water works upgrade	2019	2.100	21,000	33,150	215,426	281,109
00-161	Water works upgrade	2025	4.170	108,00	220,570	3,275,644	3,580,883
00-213	Thirsk Dam Expansion	2026	1.750	192,300	201,491	3,580,883	3,867,667
00-195	Water works upgrade	2027	4.820	289,200	201,490	3,867,667	4,143,421
				<u>610,500</u>	<u>656,700</u>	10,939,620	<u>11,873,080</u>
Sewer fund							
96-043	Sewer Treatment plant land	2016	4.430	44,300	30,243	-	76,421
98-034	Sewer System construction	2023	4.650	418,500	188,572	3,695,017	4,127,227
99-040	Sewer System construction	2019	2.100	21,000	33,149	215,426	281,109
00-192	Sewer System construction	2025	4.170	14,400	29,409	436,753	477,451
00-207	Sewer System construction	2026	1.750	64,100	67,164	1,193,628	1,289,222
00-192	Sewer System construction	2029	4.130	8,260	6,717	146,952	155,451
16-023	Sewer System construction	2036	2.100	-	-	366,000	-
				<u>618,620</u>	<u>355,254</u>	6,053,776	<u>6,406,881</u>
				<u>1,440,985</u>	<u>1,414,303</u>	21,851,905	<u>23,602,832</u>

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

For the year ended December 31, 2016

9. Obligations under capital leases

	2016	2015
Obligation under capital lease, prime less 1%, blended monthly payments of \$713, due May 2018	11,866	20,139
Obligation under capital lease, prime minus 1%, blended monthly payments of \$3,304, due December 2017	39,046	77,672
Obligation under capital lease, fully repaid during the year	-	29,406
	50,912	127,217

The prime rate at year end was 2.70% (2015 – 2.70%).

Obligations under capital leases are secured by a Caterpillar loader, and a mower. Interest paid relating to the above obligations on capital leases was \$1,386 (2015 - \$4,452).

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

	2017	48,201
	2018	3,563
		51,764
less: imputed interest		(852)
		50,912

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

For the year ended December 31, 2016

10. Tangible capital assets

	Land	Land Improvements	Buildings	Machinery and Equipment	Roads and Sidewalks	Water Utility	Sewer Utility	Electric Utility	Work in Progress	2016 Total	2015 Total (Restated - Note 19)
Cost, beg. of year (Restated - Note 19)	15,830,029	3,320,184	12,184,669	9,637,406	29,740,154	47,753,084	34,363,611	8,900,366	549,078	162,278,848	158,079,808
Additions	-	392,661	87,134	1,143,948	-	149,323	115,612	217,469	1,041,158	3,147,305	4,484,759
Disposals	(100,000)	-	(225,072)	(763,345)	-	-	-	(31,297)	(463,210)	(1,582,924)	(285,719)
Cost, end of year	15,730,029	3,712,845	12,046,731	10,018,009	29,740,154	47,902,407	34,479,223	9,086,805	1,127,026	163,843,229	162,278,848
Accumulated amortization, beg. 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
Amortization	-	-	249,646	450,401	928,017	1,094,585	699,135	182,340	-	3,604,124	3,660,948
Disposals	-	-	(225,072)	(8,000)	-	-	-	(20,690)	-	(253,762)	(81,398)
Accumulated amortization, end of year	-	-	5,655,437	6,789,962	18,628,061	12,414,483	12,288,619	2,692,312	-	58,468,874	55,118,512
Net carrying amount, end of year	15,730,029	3,712,845	6,391,294	3,228,047	11,112,093	35,487,924	22,190,604	6,394,493	1,127,026	105,374,355	107,160,336

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 \$1,127,026 (2015 - \$549,078). Assets held under capital leases of \$229,165 (2015 - \$784,980) with related accumulated amortization of \$64,466 (2015 - \$184,787) are included in Machinery and Equipment. No contributed infrastructure tangible capital assets were recognized in the consolidated financial statements during the year (2015 - \$1,475,000). Asset additions include \$463,210 of work in progress transfers from 2015. Net cash additions for 2016 are \$1,928,750 (2015 - \$1,596,042).

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

11. Accumulated surplus

The District segregates its accumulated surplus in the following categories:

	2016	2015
Current funds	10,144,196	8,599,117
Community Works	1,567,930	1,518,784
Net current funds	11,712,126	10,117,901
Investment in tangible capital assets	83,471,538	81,955,287
Statutory reserve funds	2,680,243	1,588,097
	97,863,907	93,661,285

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	1,518,784	528,342	17,134	(496,330)	1,567,930

12. Statutory reserve funds

	Opening balance	Contributions received	Investment income	Expenditure	Ending balance
Tax sale	7,039	-	79	-	7,118
Land sale	518,492	698,496	9,679	(1,553)	1,225,114
Capital works	866,291	91,232	10,180	-	967,703
Parking	75,439		842	-	76,281
Asset management	120,836	280,278	2,913	-	404,027
	1,588,097	1,070,006	23,693	(1,553)	2,680,243

The Corporation of the District of Summerland

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

13. Taxation, net

	2016	2015
Property taxes and payments-in-lieu	10,280,410	9,777,877
Collections for other governments		
Province of British Columbia - school tax	5,160,811	5,258,200
Regional District	632,292	740,085
Regional Hospital District	757,345	721,820
Municipal Finance Authority	487	467
British Columbia Assessment Authority	137,044	143,362
Okanagan Regional Library	464,488	457,216
	17,432,877	17,099,027
Transfers		
Province of British Columbia - school tax	5,160,811	5,258,200
Regional District	632,292	740,085
Regional Hospital District	757,345	721,820
Municipal Finance Authority	487	467
British Columbia Assessment Authority	137,044	143,362
Okanagan Regional Library	464,488	457,216
	7,152,467	7,321,150
Available for general municipal purposes	10,280,410	9,777,877

14. Government transfers

	2016	2015
Provincial transfers		
Small community grants	360,638	378,028
Traffic fine revenue sharing	61,858	63,002
Community Works	532,707	512,784
Other contributions	423,071	25,000
	1,387,274	978,814
Regional transfers		
Okanagan basin water board	387,043	395,236
	387,043	395,236
Total government transfer revenues	1,765,317	1,374,050

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

For the year ended December 31, 2016

15. Contingent liabilities and commitments

- (a) The District is responsible, as a member of the Regional District of the Okanagan-Similkameen, for its proportion of any operating deficits or long-term debt related to functions in which it participates.
- (b) The District and its employees contribute to the Municipal Pension Plan (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. As at December 31, 2016, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 81 contributors from The Corporation of the District of Summerland.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis.

The Corporation of the District of Summerland paid \$524,533 (2015 - \$515,978) for employer contributions while employees contributed \$406,744 (2015 - \$451,669) to the Plan.

- (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.

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

For the year ended December 31, 2016

16. Funds held in trust

At the year end, the District held \$1,018,305 (2015 - \$1,023,915) in trust. Certain assets have been conveyed or assigned to the District to be administered as directed by agreement or statute. The District holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries. The following trust funds and assets are excluded from the District's consolidated financial statements:

	2016	2015
Summerland scholarship	27,605	28,394
Cemetery perpetual care	365,293	360,313
Abernethy memorial	77,796	76,938
Summerland education funding	547,611	558,270
	1,018,305	1,023,915

17. Annual Budget

The financial statements have included the Annual Budget as approved by Council on April 28, 2016. 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:

	2016	2015
Annual surplus	4,114,266	4,416,085
Capital expenditures	(7,794,731)	(8,835,609)
Principal repayment of debt	(2,116,927)	(2,029,748)
Transfers from accumulated surplus	5,074,501	5,153,022
Borrowing proceeds	722,891	1,296,250
	-	-
Net annual budget	-	-

18. Comparative figures

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

19. Correction of an error

During the year, the District determined that revenue from land contributions in the prior year were understated for the contribution of two parcels of land by a developer. For the 2015 year, the impact of this correction has resulted in an increase in revenue of \$1,475,000, an increase to tangible capital assets of \$1,475,000 and an increase to accumulated surplus of \$1,475,000.

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

For the year ended December 31, 2016

20. Segmented Information

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

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

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

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

Environmental services include garbage collection and recycling.

Health services include the operations related to cemetery functions.

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

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

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

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

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

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

For the year ended December 31, 2016

Note 20. Segmented information (continued)

	General Government Services	Protective Services	Transportation Services	Environmental Services	Health Services	Planning & Develop Services	Parks & Recreation Services	Water Services	Sewer Services	Electrical Services	Actual 2016
REVENUE											
Property tax	8,035,489	-	-	-	-	-	-	-	-	-	8,035,489
Parcel tax	-	-	-	-	-	-	-	1,509,930	734,991	-	2,244,921
Government transfers - provincial	950,839	4,364	28,000	-	-	-	-	395,071	-	-	1,378,274
Government transfers - regional	-	-	-	-	-	-	-	-	387,043	-	387,043
User fees, sales, and rentals	179,821	10,429	31,850	1,222,871	55,325	-	812,108	3,191,094	1,178,758	10,707,919	17,390,174
Permits, licenses and fines	144,621	23,309	-	-	-	337,310	-	-	-	-	505,240
Investment income	183,680	-	-	-	-	-	-	7,522	7,455	-	198,657
Actuarial earnings	62,012	-	-	-	-	-	-	276,759	363,853	-	702,624
Penalties and interest on taxes	110,884	-	-	-	-	-	-	-	-	-	110,884
Franchise	90,496	-	-	-	-	-	-	-	-	-	90,496
Contributions from developers	7,106	-	-	-	-	-	-	26,447	-	118,120	151,673
Other	32,506	-	2,347	-	-	-	-	20,937	58,932	60,119	174,841
Gain (loss) on disposal	598,496	-	-	-	-	-	-	-	-	(10,607)	587,889
	10,395,948	38,102	62,197	1,222,871	55,325	337,310	812,108	5,427,760	2,731,031	10,875,550	31,958,205
EXPENSES											
Labour and benefits	769,641	732,398	1,072,585	179,884	76,574	307,938	1,313,943	1,003,518	550,443	705,440	6,712,365
Contracted services	212,096	1,492,995	866,201	873,360	22,590	294,274	517,683	361,851	162,501	372,776	5,176,328
Materials and supplies	119,495	104,034	(244,027)	23,583	13,751	9,624	462,139	1,042,344	418,404	8,676,230	10,625,576
Interest	-	129,429	129,429	-	-	-	-	584,535	557,854	-	1,401,247
Amortization	65,123	154,666	1,203,139	13,025	1,628	4,884	185,599	1,094,585	699,134	182,341	3,604,124
Other	6,764	1,188	1,712	202,222	-	-	-	23,856	200	-	235,942
	1,173,119	2,614,711	3,029,040	1,292,074	114,543	616,720	2,479,364	4,110,689	2,388,536	9,936,787	27,755,583
SURPLUS (DEFICIT) for the year	9,222,830	(2,576,608)	(2,966,843)	(69,203)	(59,218)	(279,410)	(1,667,256)	1,317,071	342,495	938,763	4,202,622

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

For the year ended December 31, 2016

Note 20. Segmented information (continued)

	General Government Services	Protective Services	Transportation Services	Environmental Services	Health Services	Planning & Develop Services	Parks & Recreation Services	Water Services	Sewer Services	Electrical Services	Actual 2015
<small>(Restated - Note 19)</small>											
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	1,499,908	-	-	-	-	-	-	43,006	5,833	281,793	1,830,539
Other	40,551	-	2,248	-	-	-	-	25,490	210	46,752	115,251
Loss on disposal	(1,735)	-	-	-	-	-	-	(2,625)	-	(6,342)	(10,702)
	10,811,124	30,085	60,549	1,286,882	50,178	293,643	814,350	4,698,632	2,449,105	10,566,014	31,060,562
EXPENSES											
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	794,318	10,628	256,485	444,919	286,833	113,129	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	9,185,311	(2,136,732)	(3,205,917)	108,432	(50,686)	(271,592)	(1,516,082)	512,485	109,669	1,115,278	3,850,167