

2017 FINANCIAL STATEMENTS

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MAY 2018

Your Worship and Members of Council,

I am pleased to submit the City of Penticton's 2017 Annual Financial Report for the year ended December 31, 2017 as required by Sections 98 and 167 of the Community Charter.

The audited financial statements, and supplementary financial schedules have been prepared by City staff in conformance with generally accepted accounting principles as prescribed by the Public Sector Accounting Standards (PSAS) of the Chartered Professional Accountants of Canada.

Management maintains systems of internal budgetary and accounting controls that provide assurance for safeguarding of assets and the reliability of information. These systems are monitored and evaluated by management.

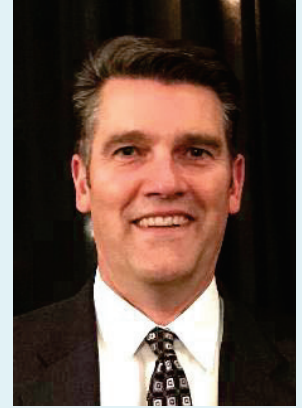
These statements were audited by BDO Canada LLP, and their responsibility is to express an opinion as to whether the financial statements prepared by management present fairly the financial position of the City as at December 31, 2017.

Operating Results from 2017 saw an increase in the City's net financial assets of \$9.8 million bringing its total net financial assets to \$27.6 million. This resulted in an overall improvement of its accumulated surplus by 2.8%, with a total now of \$346.2 million

Consolidated revenues for the City increased to \$119.3 million in 2017 a 9.6% increase over 2016. This increase was largely the result of an increase in sale of services for sales of electricity, recovery of works billed to third parties, and emergency recoveries. In addition the City received a substantial government grant for a reservoir project and recorded a significant amount of contributed assets from development projects. Consolidated Expenditures were \$109.6 million an increase of 11.8% from 2016 owing primarily to an increase in electric energy purchases and a substantial electrical substation project.

The general revenue fund saw an overall surplus of \$314,273 with revenues coming in at \$85.6 million, reasonably consistent with 2016. Revenues decreased by \$2.9 million with the conclusion of the Development Assistance Compensation agreement. These decreases were offset by increases largely owing to tax increases and recovering emergency costs from the Province. Expenditures in 2017 were \$85.3 million reasonably consistent with 2016 expenditures. Reduction in the transfer to the gaming reserve offset the increases for collective agreement salary adjustments and inflationary cost increases.

As with many municipalities, the City is facing strong growth and development while at the same time dealing with aging infrastructure. Along with the strong growth brings other social issues that are requiring greater safety and enforcement efforts. Recognizing these various priorities the 2018 budget is taking steps to provide greater investment into our infrastructure and increasing its annual contribution to the asset management reserve to \$1.2 million. The City is also directing resources to streamline many city practices including efforts to reduce timelines for approvals of permitting and business licensing. The City also continues to make additional investment in its information technology systems by continuing development of a sustainable geographic information system that will enable the City to better manage its assets, and communicate to the public, especially during major events.



Jim Bauer

Independent Auditor's Report

To the Mayor and Council of
Corporation of the City of Penticton

We have audited the accompanying consolidated financial statements of the Corporation of the City of Penticton, which comprises the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, change in net financial assets 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 City of Penticton as at December 31, 2017 and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the supplementary schedules on pages 22 through 31 of the Corporation of the City of Penticton's Financial Statements.

BDO CANADA LLP

Chartered Professional Accountants

Penticton, British Columbia
May 8, 2018

**THE CITY OF PENTICTON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

	2017	2016
Financial Assets		
Cash	\$ 5,730,053	\$ 1,316,987
Term Deposits (Note 1)	87,799,083	82,779,729
Accounts Receivable (Note 2)	11,349,691	7,700,806
	<u>104,878,827</u>	<u>91,797,522</u>
Financial Liabilities		
Development Cost Charges (Note 3)	14,589,967	10,275,074
Accounts Payable and Accrued Liabilities	15,544,385	12,940,547
Deferred Revenue	5,374,566	5,133,917
Deposits	4,605,675	2,565,874
Long Term Debt (Note 8)	37,173,405	43,113,226
	<u>77,287,998</u>	<u>74,028,638</u>
Net Assets	\$ 27,590,829	\$ 17,768,884
Non-Financial Assets		
Tangible Capital Assets (Note 9)	\$314,408,591	\$315,573,844
Inventory	3,636,271	2,700,039
Prepaid Expenses	596,538	556,602
	<u>318,641,400</u>	<u>318,830,485</u>
Accumulated Surplus	<u>\$346,232,229</u>	<u>\$336,599,369</u>

See accompanying notes to the Consolidated Financial Statements

THE CITY OF PENTICTON
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2017

	2017 Budget	2017	2016
Revenue			
Taxation	\$ 30,640,945	\$ 30,770,666	\$ 30,485,377
Sales of Services	64,538,624	71,117,937	62,541,835
Government Grants and Transfers	2,265,237	2,957,572	2,301,804
Other Revenue	7,052,492	9,931,637	11,747,857
Other Contributions	3,211,168	2,006,807	1,621,845
Gain on Disposal	30,000	99,028	38,791
Contributed Asset	-	2,380,923	80,796
	<u>107,738,466</u>	<u>119,264,570</u>	<u>108,818,305</u>
Expenditure (Note 10)			
General Government	9,730,061	18,603,949	16,693,301
Protective Services	15,261,170	15,915,825	14,813,217
Transportation Services	4,429,796	8,882,373	8,589,817
Environmental Health Services	1,548,066	1,607,516	1,502,407
Public Health and Safety	199,648	267,020	263,687
Environmental Development Services	3,532,658	3,308,318	3,275,570
Recreation and Culture	11,425,487	12,398,818	12,731,301
Electrical Supply	35,856,279	38,549,353	31,027,273
Sewer System Utility	3,760,143	5,228,799	4,858,669
Water Utility Services	2,996,862	4,869,739	4,316,920
	<u>88,740,170</u>	<u>109,631,710</u>	<u>98,072,162</u>
Annual Surplus	18,998,296	9,632,860	10,746,143
Accumulated Surplus, Beginning of Year	<u>336,599,369</u>	<u>336,599,369</u>	<u>325,853,226</u>
Accumulated Surplus, End of Year	\$ 355,597,665	\$ 346,232,229	\$ 336,599,369

See accompanying notes to the Consolidated Financial Statements

THE CITY OF PENTICTON
CONSOLIDATED STATEMENT OF CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	2017 Budget	2017	2016
Annual surplus	\$ 18,998,296	\$ 9,632,860	\$ 10,746,143
Acquisition of Tangible Capital Assets (Note 9)	(16,398,087)	(10,319,164)	(11,939,201)
Amortization (Note 9)	-	13,389,731	13,444,292
Net Disposal of Tangible Capital Assets (Note 9)	-	89,838	25,719
Contributed Tangible Capital Assets (Note 9)	-	(2,380,923)	(80,796)
Asset reclassification (Note 9)	-	385,771	(62,849)
	2,600,209	10,798,113	12,133,308
Change in Prepaid Expenses (Increase)	-	(39,936)	108,127
Consumption of Supplies Inventories	-	(936,232)	(38,530)
	-	(976,168)	69,597
Increase in Net Assets	2,600,209	9,821,945	12,202,905
Net Assets, Beginning of Year	-	17,768,884	5,565,979
Net Assets, End of Year	<u>\$ 2,600,209</u>	<u>\$ 27,590,829</u>	<u>\$ 17,768,884</u>

See accompanying notes to the Consolidated Financial Statements

**THE CITY OF PENTICTON
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

	2017	2016
Operating Transactions		
Annual Surplus	\$ 9,632,860	\$ 10,746,143
Change in Non-Cash Operating Items		
(Increase) decrease in Accounts Receivable	(3,648,885)	764,668
Increase in Trade Accounts Payable and Accrued Liabilities	9,199,181	1,967,612
(Increase) decrease in Prepaid Expenses	(39,936)	108,127
Increase in Inventory	(936,232)	(38,530)
Net Disposal of Tangible Capital Assets	89,838	25,719
Amortization	13,389,731	13,444,292
Contributed Tangible Capital Assets	(2,380,923)	(80,796)
Asset reclassification	385,771	(62,849)
	<u>16,058,545</u>	<u>16,128,243</u>
Cash Provided by Operating Activities	25,691,405	26,874,386
Capital Transactions		
Cash Used to Acquire Tangible Capital Assets	(10,319,164)	(11,939,201)
Financing Transactions		
Debt Repayment	(5,939,821)	(5,801,553)
Investing Transactions		
Increase in Term Deposits	(5,019,354)	(10,817,609)
Change in Cash	4,413,066	(1,683,977)
Cash, Beginning of Year	<u>1,316,987</u>	<u>3,000,964</u>
Cash, End of Year	<u>\$ 5,730,053</u>	<u>\$ 1,316,987</u>

See accompanying notes to the Consolidated Financial Statements

Management's Responsibility for the Financial Statements

The consolidated financial statements of the City are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The Corporation of the City of Penticton ("the City") is a municipality in the Province of British Columbia and operates under the provisions of the Community Charter. The City provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the City. All inter-entity transactions and balances have been eliminated. The controlled organizations include:

- › Penticton Public Library

Interfund Balances and Transactions

All material interfund transactions and balances have been eliminated within the Consolidated Financial Statements for the General, Sewer, Water and Electrical funds.

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.

Revenue Recognition

Taxation

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollected amounts.

Government Transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Utilities

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established. Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled.

**THE CITY OF PENTICTON
SIGNIFICANT ACCOUNTING POLICIES
DECEMBER 31, 2017**

Revenue Recognition continued

Fee for Service

Sales of service and other revenue is recognized on an accrual basis.

Financial Instruments

The City's financial instruments consist of cash and term deposits, accounts receivable, accrued interest receivable, bank indebtedness, trade accounts payable and accrued liabilities, deposits and long term debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

Inventory

The City holds consumable inventory which is recorded at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

Tangible Capital Assets

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

Tangible capital assets are recorded at cost, net of capital asset disposals, write-downs and amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Buildings	20 to 70 years
Roads and Sidewalks	25 to 75 years
Machinery and Equipment	5 to 20 years
Water Infrastructure	50 to 100 years
Sewer Infrastructure	10 to 100 years
Electrical Infrastructure	20 to 50 years
Parks and Recreation Infrastructure	10 to 50 years
Vehicles	10 to 20 years
Furniture and Equipment	10 to 20 years
Computer Hardware and Software	4 to 10 years
Books and Library Materials	5 to 13 years

Reserve for Future Expenditure

Reserves for future expenditure are non-statutory reserves which represent an appropriation of surplus for specific purposes. Transfers to reserves for future expenditure include funds to finance incomplete projects and accumulations for specific purposes.

Statutory Reserve Funds

The use of these funds is restricted by the Community Charter and associated Municipal Bylaws. Statutory reserve funds are funded 100% by cash and temporary investments.

Use of Estimates

The preparation of consolidated financial statements in accordance with Public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Adjustments, if any, will be reflected in the consolidated financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.

Collection of Taxes on Behalf of Other Taxation Authorities

The City collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these consolidated financial statements.

Contaminated Sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- a) An environmental standard exists
- b) Contamination exceeds the environmental standard
- c) The City is directly responsible or accepts responsibility for remediation
- d) It is expected that future economic benefits will be given up; and
- e) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

As at December 31, 2017 the City has no liability for contaminated sites.

THE CITY OF PENTICTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. Term Deposits

	Maturity Date	Effective Interest Rate (%)	2017	2016
Valley First	Aug 15, 2018	1.55	\$ 15,000,000	\$ -
Valley First	Jan 11, 2018	1.90	10,175,000	10,175,000
Valley First	Jan 1, 2018	1.90	10,828,910	11,002,648
Valley First	Nov 2, 2018	1.70	5,165,000	5,038,003
Valley First	May 1, 2018	1.45	24,750	54,750
Valley First	May 1, 2018	1.45	30,000	10,000,000
Valley First	Aug 17, 18	1.55	10,000,000	10,000,000
Valley First	Aug 20, 18	1.55	10,000,000	10,000,000
Municipal Finance Authority		0.25	26,575,423	26,509,328
			<u>\$ 87,799,083</u>	<u>\$ 82,779,729</u>

2. Accounts Receivable

	2017	2016
Property Taxes	\$ 984,370	\$ 1,141,890
Other Receivables	3,645,341	1,888,393
Federal Government	350,404	222,024
Provincial Government	788,997	395,357
Regional District Okanagan Similkameen	3,271	1,725
Other Government Agencies	59,543	168,017
Utility Rates Receivable	4,878,382	3,528,303
Accrued Interest Receivable	609,673	308,944
Cemetery Trust Fund Receivable	29,710	46,153
	<u>\$ 11,349,691</u>	<u>\$ 7,700,806</u>

3. Development Cost Charges (DCC)

The City collects development cost charges to pay for a proportionate share of infrastructure related to new growth. In accordance with the Local Government Act of BC, these funds must be deposited into a separate reserve fund. When the related costs are incurred, the DCCs are recognized as revenue.

DCC by Type

	2017	2016
Roads DCC	\$ 1,553,588	\$ 1,025,489
Parks DCC	710,820	475,189
Drainage DCC	379,993	204,571
Waste Water DCC	8,136,869	5,736,922
Water DCC	3,808,697	2,832,903
	<u>14,589,967</u>	<u>10,275,074</u>

DCC Activity

Balance, Beginning of Year	10,275,074	8,015,262
Return on Investments	159,240	123,534
DCCs Levied in the Year	4,463,347	2,220,398
Transfers to General Operating	(307,694)	(84,120)
	<u>\$ 14,589,967</u>	<u>\$ 10,275,074</u>

4. Development Cost Charges

In 2010, Council adopted the Development Cost Charge Reduction Bylaw and the companion Economic Incentive Zone Bylaw. The purpose of these bylaws was to spur development in key areas of the City, promote sustainable development and promote the development of affordable rental housing. The bylaws also contain provisions to encourage high-end hotel development. These bylaws will reduce the value of development cost charges, building permit fees and municipal taxes received by The City of Penticton for eligible developments.

The DCC reductions and Economic Incentive tax exemption program have been implemented in accordance with the provisions of Section 933(1) of the Local Government Act and Section 226 of the Community Charter, respectively. In 2017 \$217,011 (2016 - \$190,113) of Economic Incentive tax exemptions were granted. In addition, Council approved \$51,434 (2016 - \$22,193) of DCC reductions in 2017.

**THE CITY OF PENTICTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

5. Pension Liability

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2016, the Plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local government.

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

The most recent actuarial valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1.927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The City of Penticton paid \$1,924,992 (2016 - \$1,849,912) for employer contributions to the Plan in fiscal 2017.

The next valuation will be as at December 31, 2018 with results available in 2019.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

6. Contingent Liabilities

a. Regional District of Okanagan Similkameen

Under Section 836 of the Local Government Act, all monies borrowed by a Regional District, shall be upon its credit at large and shall, in the event of any default, constitute an indebtedness of the member municipalities for which they are jointly and severally liable. At December 31, 2017, the long term debt of the Regional District aggregated \$86,060,832 (2016 - \$86,130,133).

6. Contingent Liabilities continued

b. Legal Actions

As at December 31, 2017, certain legal actions are pending against the City as follows:

1. The City is aware of various liens registered against the City owned properties located at 903-969 Eckhardt Ave W. These liens were filed by various companies engaged by the third party purchaser of the same properties who subsequently defaulted on the purchase. These companies were not paid and they filed liens against the properties. Twelve liens were filed representing claims totaling \$2,111,921.90. Since then, and within the one year limitation period under the Builders Lien Act, five lien claimants had started legal actions against various parties, including the City, and filed certificates of pending litigation ("CPL") against the properties. One claimant has subsequently abandoned its lien claim and discontinued its action and another claimant reached a settlement. The remaining three claims remain alive with the value of these lien claims totaling \$663,851. It is unknown at this time the likely outcome; however, damages could reach \$66,000, which is 10% of the total claims still being advanced.
2. The City has been named a party to an action with respect to a claim made for interference with development rights. The Claimant may have a reasonable basis for a claim; however given the uncertainty of the amount and likelihood of the claim, no accrual has been recorded in regards to these costs.

c. General Contingencies

From time to time there are potential claims against the City for incidents which arise in the ordinary course of business. In the opinion of management and legal counsel, the outcomes of the claims are not determinable at this time and cannot be estimated. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

7. Letters of Credit

In addition to the performance deposits reflected in the Consolidated Statement of Financial Position, the City is holding irrevocable Letters of Credit in the amount of \$722,800 which were received from depositors to ensure their performance of works to be undertaken within the City. These amounts are not reflected in the Consolidated Financial Statements but are available to satisfy liabilities arising from non-performance by the depositors.

THE CITY OF PENTICTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. Long Term Debt

Long term debt reported on the Consolidated Statement of Financial Position is comprised of the following:

	2017	2016
Long Term Debt	<u>\$ 37,173,405</u>	<u>\$ 43,113,226</u>

Principal repayments relating to long term debt of \$37,173,405 outstanding are due as follows (in thousands):

	2018	2019	2020	2021	2022	Thereafter
General Fund	\$ 1,985	\$ 1,059	\$ 1,042	\$ 911	\$ 913	\$ 12,759
Sewer Fund	575	545	539	539	539	7,940
Water Fund	422	422	422	422	422	5,717
	<u>\$ 2,982</u>	<u>\$ 2,026</u>	<u>\$ 2,003</u>	<u>\$ 1,872</u>	<u>\$ 1,874</u>	<u>\$ 26,416</u>

Long term debt is secured by the assets of the City. The Long Term Debt is held by the Municipal Finance Authority. The principal payments are invested by the Municipal Finance Authority into a Sinking Fund. The principal repayments are currently calculated at a rate of 4%. The 2017 earnings in the Sinking Fund were calculated to be \$1,709,768 and are included in Other Revenue on the Consolidated Statement of Operations.

9. Tangible Capital Assets

The City of Penticton budgets for Tangible Capital Assets (TCA) as well as non-operating repairs and maintenance through the capital budget. During the year, the City incurred \$15,106,042 of expenditures that fall within the Capital Budget. Of this amount, \$10,319,164 met the TCA capitalization policy criteria while the remaining \$4,786,878 was expensed due to the expenditure being outside the TCA capitalization policy criteria or they were related to repairs and maintenance.

THE CITY OF PENTICTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

9. Tangible Capital Assets continued

	Land	Building	Equipment	Sewer Infrastructure	Water Infrastructure	Electrical Infrastructure	Roads	Construction in Progress	2017 Total
COST									
Opening Balance	\$ 48,433,058	\$ 163,954,616	\$ 39,906,689	\$ 50,618,753	\$ 54,038,979	\$ 73,909,945	\$ 84,739,652	\$ 1,562,907	\$ 517,164,599
Add: Additions	86,252	985,843	1,463,075	531,833	741,303	983,508	1,925,330	3,602,020	10,319,164
Add: Trsf to/from Construction in Progress	-	-	-	47,475	-	-	-	(47,475)	-
Add: Contributed Assets	-	-	-	1,097,900	506,773	-	776,250	-	2,380,923
Less: Disposals	-	51,652	589,447	-	-	-	-	-	641,099
Re-classification	-	-	-	-	-	-	-	(385,771)	(385,771)
	48,519,310	164,888,807	40,780,317	52,295,961	55,287,055	74,893,453	87,441,232	4,731,681	528,837,816
ACCUMULATED AMORTIZATION									
Opening Balance	-	66,514,460	26,237,831	9,442,865	18,558,926	34,430,762	46,405,911	-	201,590,755
Add: Amortization	-	4,855,665	1,829,297	1,065,414	821,001	2,097,121	2,721,233	-	13,389,731
Less: Acc Amortization on Disposals	-	51,652	499,609	-	-	-	-	-	551,261
	-	71,318,473	27,567,519	10,508,279	19,379,927	36,527,883	49,127,144	-	214,429,225
Net Book Value for Year Ended Dec. 31, 2017	\$ 48,519,310	\$ 93,570,334	\$ 13,212,798	\$ 41,787,682	\$ 35,907,128	\$ 38,365,570	\$ 38,314,088	\$ 4,731,681	\$ 314,408,591

THE CITY OF PENTICTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

9. Tangible Capital Assets continued

COST

	Land	Building	Equipment	Sewer Infrastructure	Water Infrastructure	Electrical Infrastructure	Roads	Construction in Progress	2016 Total
Opening Balance	\$ 48,433,058	\$ 163,265,759	\$ 36,255,075	\$ 50,274,463	\$ 52,860,867	\$ 72,143,119	\$ 80,497,549	\$ 1,492,298	\$ 505,222,188
Add: Additions	-	595,010	3,330,963	344,290	1,068,075	1,766,826	3,907,257	926,780	11,939,201
Add: Trsf to/from Construction in Progress	-	13,051	150,212	-	110,037	-	334,846	(608,146)	-
Add: Contributed Assets	-	80,796	-	-	-	-	-	-	80,796
Less: Disposals	-	-	488,673	-	-	-	-	-	488,673
Re-classification to Financial Assets	-	-	659,112	-	-	-	-	(248,025)	411,087
	<u>48,433,058</u>	<u>163,954,616</u>	<u>39,906,689</u>	<u>50,618,753</u>	<u>54,038,979</u>	<u>73,909,945</u>	<u>84,739,652</u>	<u>1,562,907</u>	<u>517,164,599</u>

ACCUMULATED AMORTIZATION

Opening Balance	-	61,742,536	24,324,874	8,399,814	17,726,280	32,274,934	43,792,741	-	188,261,179
Add: Amortization	-	4,771,924	2,027,673	1,043,051	832,646	2,155,828	2,613,170	-	13,444,292
Less: Acc Amortization on Disposals	-	-	462,954	-	-	-	-	-	462,954
Re-classification	-	-	(348,238)	-	-	-	-	-	(348,238)
	<u>-</u>	<u>66,514,460</u>	<u>26,237,831</u>	<u>9,442,865</u>	<u>18,558,926</u>	<u>34,430,762</u>	<u>46,405,911</u>	<u>-</u>	<u>201,590,755</u>
Net Book Value for Year Ended Dec. 31, 2016	<u>\$ 48,433,058</u>	<u>\$ 97,440,156</u>	<u>\$ 13,668,858</u>	<u>\$ 41,175,888</u>	<u>\$ 35,480,053</u>	<u>\$ 39,479,183</u>	<u>\$ 38,333,741</u>	<u>\$ 1,562,907</u>	<u>\$ 315,573,844</u>

10. Reporting by Object

	2017	2016
Salaries and Benefits	\$ 26,840,274	\$ 24,281,346
Goods and Services	49,529,865	43,891,775
Interest	3,515,479	3,802,731
Amortization	13,389,732	13,444,293
Other Expenses	2,333,354	2,193,951
Vehicle & Equipment Maintenance	6,761,752	3,452,486
Policing Agreement	7,261,254	7,005,580
	<u>\$ 109,631,710</u>	<u>\$ 98,072,162</u>

11. Credit Facilities

a. Line of Credit

The City holds a \$5,000,000 line of credit with the Valley First Credit Union. This line of credit has a borrowing rate of prime and is secured by the Revenue Anticipation Borrowing Bylaw 2011 No. 5003.

As of December 31, 2017 there was no balance outstanding.

b. Bank Indebtedness

The City holds a \$4,230,000 EFT limit.

12. Municipal Finance Authority

Cash Deposits and Demand Notes - The City issues the majority of its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the Municipal Finance Authority as a debt reserve fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature.

Proceeds on loan requests are 98.40% of the gross amount of the loan. 1% is deducted by the MFA for security against loan default (this is held in trust by the MFA in its Debt Reserve Fund and will be refunded to clients, with interest, at loan expiry). The remaining 0.60% is deducted as an issue expense to cover the costs of administering the Debt Reserve Fund.

As at December 31, 2017 the Debt Reserve Fund demand note requirements were \$2,507,605 (2016 - \$3,346,659). In addition, cash deposits totaling \$978,524 (2016 - \$1,162,303) were held by the MFA.

THE CITY OF PENTICTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

13. Budget

The Financial Plan (Budget) Bylaw No. 2017-21 adopted by Council on March 21, 2017 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget figures anticipated use of reserves accumulated in previous years to reduce current year expenditures in excess of current year revenues to Nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council with adjustments as follows:

	2017
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Transfer to Funds/Reserves	22,537,576
Debt Principal Repayments	4,230,055
Budgeted Capital Expenditures - General	5,304,102
Budgeted Capital Expenditures - Electric	3,765,485
Budgeted Capital Expenditures - Sewer	5,282,500
Budgeted Capital Expenditures - Water	2,046,000
Less:	
Budgeted Transfers from Surplus	24,167,422
Budget Surplus per Statement of Operations	\$ 18,998,296

14. Transfers From Other Governments

	2017	2016
Gas tax community works fund	\$ 1,458,679	\$ 1,439,404
Traffic fine revenue sharing	381,557	401,411
Okanagan Basin Water Board grants	215,822	215,822
Province of British Columbia - Carmi Reservoir	662,745	-
BC Arts Council	20,000	20,000
Library	130,696	125,720
Miscellaneous	88,073	99,447
	\$ 2,957,572	\$ 2,301,804

15. Penticton Public Library

The establishment of a municipal public library in the City of Penticton Bylaw 2639 was passed December 8, 1969. The Bylaw indicates that the City exercises significant influence over the Penticton Public Library and is required to fund its operations as per the Library Act. The Penticton Public Library assets as managed by the Library Board are recorded as assets of the City. The operations of the Penticton Public Library have been wholly consolidated by the City.

16. Taxation

	Budget	2017	2016
Municipal Taxation			
Real Property	\$ 30,202,576	\$ 30,224,908	\$ 28,542,185
Special Assessments	183,850	198,927	1,532,170
Grants in Lieu	254,519	346,831	411,022
Total municipal taxation	30,640,945	30,770,666	30,485,377
Collections For other Governments			
School	16,231,670	15,318,549	16,058,746
Regional District	1,629,839	1,864,568	1,613,311
Regional Hospital	2,285,961	2,483,961	2,378,286
BCAA	459,835	392,230	438,770
Total collections for other taxing authorities	20,607,305	20,059,308	20,489,113
Transfers to Other Governments	(20,607,305)	(20,038,950)	(20,506,789)
Net taxation for municipal purposes	\$ 30,640,945	\$ 30,791,024	\$ 30,467,701

17. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year presentation.

**THE CITY OF PENTICTON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

18. Segmented Information

The City is a diversified municipal government institution that provides a wide range of services to its citizens such as transit, police, fire, water and electricity. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government Services

This segment includes all of the revenues and expenses that relate to the operations of the City itself and cannot be directly attributed to one of the other specific segments.

Protective Services

Protection is comprised of police services and fire protection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education.

Transportation Services

Transportation is responsible for providing the City's transit services including roads and maintenance.

Environmental Health Services

Environmental services consists of providing waste disposal to citizens.

Public Health and Safety

Health services are comprised of public health services which works to improve the overall health of the population and overcome health inequalities by providing services to individuals and communities.

Environmental Development Services

This segment includes city planning and review of all property development plans through its application process.

Recreation and Culture

This segment provides services meant to improve health and development of the City's citizens. Recreational programs and cultural programs like swimming and skating lessons are provided at the arenas, the aquatic centre and the community centre. Also, the City provides library services to assist with its citizens' informational needs and a museum that houses collections and artifacts.

Electrical Supply

This segment includes all of the operating activities related to the supply of the City's electricity.

Sewer System Utility

This segment includes all of the operating activities related to the collection and treatment of wastewater (sewage) throughout the City.

18. Segmented Information continued

Water Utility Services

This segment includes all of the operating activities related to the treatment and distribution of water throughout the City.

**THE CITY OF PENTICTON
SCHEDULE OF SEGMENT DISCLOSURE
DECEMBER 31, 2017**

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Public Health and Safety	Environmental Development Services	Recreation and Culture	Electrical Supply	Sewer System Utility	Water Utility Services	2017 Total
REVENUE											
Taxation	\$ 30,770,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,770,666
Sales of Services	3,150,915	1,279,191	2,043,241	2,583,457	493,556	306,965	2,394,211	45,209,797	5,080,860	8,575,744	71,117,937
Government Grants and Transfers	1,860,236	-	20,000	-	-	48,073	150,696	-	215,822	662,745	2,957,572
Other Revenue	8,384,173	269,220	175	-	-	636	1,258,269	12,609	-	6,555	9,931,637
Other Contributions	282,322	-	174,547	-	-	1,500	2,480	994,501	109,492	441,965	2,006,807
Gain (loss) on Disposal	79,768	-	19,260	-	-	-	-	-	-	-	99,028
Contributed Asset	2,380,923	-	-	-	-	-	-	-	-	-	2,380,923
	<u>46,909,003</u>	<u>1,548,411</u>	<u>2,257,223</u>	<u>2,583,457</u>	<u>493,556</u>	<u>357,174</u>	<u>3,805,656</u>	<u>46,216,907</u>	<u>5,406,174</u>	<u>9,687,009</u>	<u>119,264,570</u>
EXPENDITURE											
Salaries and Benefits	4,930,164	7,640,837	1,734,272	133,695	49,032	1,544,976	5,506,649	2,249,394	1,471,248	1,580,007	26,840,274
Goods and Services	4,156,689	826,727	3,496,708	1,469,544	212,409	1,138,280	4,255,190	30,516,156	1,597,089	1,861,073	49,529,865
Interest	(44,188)	84,000	126,064	-	-	-	2,145,288	-	759,695	444,620	3,515,479
Amortization	7,664,494	-	1,741,702	-	-	-	-	2,097,121	1,065,414	821,001	13,389,732
Other Expenses	1,601,973	16,507	3,342	-	-	615,771	24,666	66,313	1,365	3,417	2,333,354
Vehicle & Equipment Maintenance	294,817	86,500	1,780,285	4,277	5,579	9,291	467,025	3,620,369	333,988	159,621	6,761,752
Policing Agreement	-	7,261,254	-	-	-	-	-	-	-	-	7,261,254
	<u>18,603,949</u>	<u>15,915,825</u>	<u>8,882,373</u>	<u>1,607,516</u>	<u>267,020</u>	<u>3,308,318</u>	<u>12,398,818</u>	<u>38,549,353</u>	<u>5,228,799</u>	<u>4,869,739</u>	<u>109,631,710</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 28,305,054</u>	<u>\$ (14,367,414)</u>	<u>\$ (6,625,150)</u>	<u>\$ 975,941</u>	<u>\$ 226,536</u>	<u>\$ (2,951,144)</u>	<u>\$ (8,593,162)</u>	<u>\$ 7,667,554</u>	<u>\$ 177,375</u>	<u>\$ 4,817,270</u>	<u>\$ 9,632,860</u>

**THE CITY OF PENTICTON
SCHEDULE OF SEGMENT DISCLOSURE
DECEMBER 31, 2016**

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Public Health and Safety	Environmental Development Services	Recreation and Culture	Electrical Supply	Sewer System Utility	Water Utility Services	2016 Total
REVENUE											
Taxation	\$ 29,111,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,373,636	\$ -	\$ 30,485,377
Sales of Services	2,657,309	997,297	1,288,925	2,464,088	363,357	113,686	2,231,071	39,647,110	4,625,517	8,153,476	62,541,835
Government Grants and Transfers	1,939,262	-	1,000	-	-	-	145,720	-	215,822	-	2,301,804
Other Revenue	10,650,566	55,780	-	-	-	8,500	1,019,211	13,800	-	-	11,747,857
Other Contributions	119,052	-	544,283	-	-	-	71,486	590,070	47,712	249,242	1,621,845
Gain (loss) on Disposal	10,436	-	28,355	-	-	-	-	-	-	-	38,791
Contributed Asset	80,796	-	-	-	-	-	-	-	-	-	80,796
	<u>44,569,162</u>	<u>1,053,077</u>	<u>1,862,563</u>	<u>2,464,088</u>	<u>363,357</u>	<u>122,186</u>	<u>3,467,488</u>	<u>40,250,980</u>	<u>6,262,687</u>	<u>8,402,718</u>	<u>108,818,305</u>
EXPENDITURE											
Salaries and Benefits	4,619,001	6,885,913	1,229,617	102,174	39,410	1,470,080	5,374,197	1,715,290	1,349,195	1,496,469	24,281,346
Goods and Services	2,743,400	734,360	3,500,069	1,394,320	217,779	1,222,251	4,508,140	26,988,679	1,372,054	1,210,723	43,891,775
Interest	(42,147)	84,000	174,478	-	-	-	2,236,253	-	758,021	592,126	3,802,731
Amortization	7,465,548	-	1,947,220	-	-	-	-	2,155,828	1,043,051	832,646	13,444,293
Other Expenses	1,577,029	1,049	737	66	-	581,241	29,273	4,546	-	10	2,193,951
Vehicle & Equipment Maintenance	330,470	102,315	1,737,696	5,847	6,498	1,998	583,438	162,930	336,348	184,946	3,452,486
Policing Agreement	-	7,005,580	-	-	-	-	-	-	-	-	7,005,580
	<u>16,693,301</u>	<u>14,813,217</u>	<u>8,589,817</u>	<u>1,502,407</u>	<u>263,687</u>	<u>3,275,570</u>	<u>12,731,301</u>	<u>31,027,273</u>	<u>4,858,669</u>	<u>4,316,920</u>	<u>98,072,162</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 27,875,861</u>	<u>\$(13,760,140)</u>	<u>\$ (6,727,254)</u>	<u>\$ 961,681</u>	<u>\$ 99,670</u>	<u>\$ (3,153,384)</u>	<u>\$ (9,263,813)</u>	<u>\$ 9,223,707</u>	<u>\$ 1,404,018</u>	<u>\$ 4,085,798</u>	<u>\$ 10,746,143</u>

**THE CITY OF PENTICTON
GENERAL REVENUE FUND
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	2017 Budget	2017	2016
Revenue			
Taxation	\$ 30,640,945	\$ 30,770,666	\$ 29,111,741
Sales of Services	13,847,841	16,929,886	14,760,623
Government Grants and Transfers	2,049,416	2,079,005	2,085,983
Transfer From Other Funds/Reserves	3,352,272	5,275,786	6,729,667
Other Revenue	7,020,492	9,912,473	11,734,057
Other Contributions	205,768	460,849	734,820
Sale of Assets	30,000	99,028	38,791
Collections For other Governments	20,607,305	20,059,308	20,489,113
	<u>77,754,039</u>	<u>85,587,001</u>	<u>85,684,795</u>
Expenditure			
Salaries and Benefits	20,616,544	22,175,482	20,380,323
Goods and Services	12,637,494	16,529,558	15,236,941
Interest	2,371,750	2,311,164	2,452,585
Principal Payments	3,232,875	3,232,873	3,231,187
Other Expenses	2,130,771	2,262,258	2,189,395
Vehicle & Equipment Maintenance	2,687,585	2,647,775	2,768,262
Policing Agreement	7,205,141	7,261,254	7,005,580
Transfer to Other Funds/Reserves	6,264,574	8,813,414	11,415,232
Transfers to Other Governments	20,607,305	20,038,950	20,506,789
	<u>77,754,039</u>	<u>85,272,728</u>	<u>85,186,294</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>314,273</u>	<u>498,501</u>
CHANGE IN FUND BALANCES	-	314,273	498,501
FUND BALANCES, BEGINNING OF YEAR	5,711,736	5,711,736	5,213,235
FUND BALANCES, END OF YEAR	<u>\$ 5,711,736</u>	<u>\$ 6,026,009</u>	<u>\$ 5,711,736</u>

**THE CITY OF PENTICTON
RESERVE FUNDS
STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	2017	2016
Balance, Beginning of Year	\$ 10,815,928	\$ 12,474,200
Add		
Transfers from:		
Revenue Funds	3,650,159	2,998,632
Interest Earned	142,216	153,470
Deduct		
Transfers to:		
Capital Funds	69,103	4,810,374
	<u>\$ 14,539,200</u>	<u>\$ 10,815,928</u>
 STATUTORY RESERVE FUND BALANCES		
Equipment Replacement Reserve Fund	3,802,136	3,490,375
Tax Sale Lands Reserve Fund	7,555	7,460
Capital Reserve Fund	2,538,535	165,784
Land Acquisition Reserve	1,917,025	1,892,984
Local Improvement	1,258,805	1,196,360
Off-Site Parking Reserve Fund	122,434	120,899
Community Works Reserve Fund	922,087	915,595
Public Amenity Reserve	75,601	74,653
Affordable Housing Reserve	169,021	166,901
Alternative Transportation Reserve	52,743	52,082
Asset Sustainability	1,211,591	302,040
Water Capital Reserve Fund	904,142	892,803
Sewer Capital Reserve Fund	542,833	536,025
Electric Capital Reserve Fund	1,014,692	1,001,967
	<u>14,539,200</u>	<u>10,815,928</u>
Balance, End of Year	<u><u>\$ 14,539,200</u></u>	<u><u>\$ 10,815,928</u></u>

**THE CITY OF PENTICTON
RESERVE FUNDS
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	Balance, Beginning of Year	Transfer from General Revenue Fund	Interest Earned	Transfer to/from General Capital Fund	Transfer to Sewer Capital Fund	Inter-reserve Transfers	2017 Total
Reserve							
Equipment Replacement	\$ 3,490,375	\$ 1,128,666	\$ 45,246	\$ (862,151)	\$ -	\$ -	\$ 3,802,136
Tax Sale Lands	7,460	-	95	-	-	-	7,555
Capital	165,784	-	2,105	2,370,646	-	-	2,538,535
Land Acquisition	1,892,984	-	24,041	-	-	-	1,917,025
Local Improvement	1,196,360	162,814	12,934	(91,967)	(21,336)	-	1,258,805
Off-Street Parking	120,899	-	1,535	-	-	-	122,434
Community Works	915,595	1,458,679	12,108	(1,464,295)	-	-	922,087
Public Amenity	74,653	-	948	-	-	-	75,601
Affordable Housing	166,901	-	2,120	-	-	-	169,021
Alternative Transportation	52,082	-	661	-	-	-	52,743
Asset Sustainability	302,040	900,000	9,551	-	-	-	1,211,591
Water Capital	892,803	-	11,339	-	-	-	904,142
Sewer Capital	536,025	-	6,808	-	-	-	542,833
Electric Capital	1,001,967	-	12,725	-	-	-	1,014,692
	\$ 10,815,928	\$ 3,650,159	\$ 142,216	\$ (47,767)	\$ (21,336)	\$ -	\$ 14,539,200

**THE CITY OF PENTICTON
RESERVES
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	Balance, Beginning of Year	Transfer From Funds	Transfer To Fund	Interest	Inter-reserve Transfers	2017 Total
Non-Statutory						
Asset Emergency	\$ 800,000	\$ 263,203	\$ (104,729)	\$ -	\$ -	\$ 958,474
Building Permit Stabilization	100,000	-	-	-	-	100,000
Carbon Tax Credit Reserve	152,421	-	-	-	-	152,421
Cemetery Land	133,000	-	-	-	-	133,000
Climate Action	131,247	48,073	-	-	-	179,320
Election	47,599	23,353	-	-	-	70,952
Electric Surplus	14,500,932	2,321,687	-	-	-	16,822,619
Financial Stabilization	-	78,568	-	-	-	78,568
Gaming	7,350,533	1,982,787	(3,172,441)	-	-	6,160,879
General Surplus	5,711,737	314,273	-	-	-	6,026,010
Infrastructure	400,000	-	-	-	-	400,000
Investment Income	973,435	-	-	-	396,507	1,369,942
Liability Insurance	250,001	-	-	-	-	250,001
Marinas	489,681	57,923	-	-	-	547,604
Multi-Material BC	-	467,109	-	-	(396,507)	70,602
Northgate	52,000	-	-	-	-	52,000
Parking & Revitalization	51,765	-	-	-	-	51,765
Public Art	35,011	32,000	(19,740)	-	-	47,271
Rate Stabilization	200,000	-	-	-	-	200,000
RCMP	359,999	-	-	-	-	359,999
Sewer Equipment Replacement	108,022	-	-	-	-	108,022
Sewer Surplus	6,901,389	-	(1,689,712)	-	-	5,211,677
Snow Clearing Stabilization	75,000	-	-	-	-	75,000
Special Events Site	21,166	-	-	-	-	21,166
Water Surplus	3,913,262	996,186	-	-	-	4,909,448
West Bench Capital	1,185,185	-	-	-	-	1,185,185
West Bench Water	1,723,392	-	(78,336)	-	-	1,645,056
Wine/Info	13,150	-	-	-	-	13,150
	<u>45,679,927</u>	<u>6,585,162</u>	<u>(5,064,958)</u>	<u>-</u>	<u>-</u>	<u>47,200,131</u>
Statutory	10,815,928	3,650,159	(69,103)	142,216	-	14,539,200
DCC	10,275,074	4,463,347	(307,694)	159,240	-	14,589,967
	<u>\$ 66,770,929</u>	<u>\$ 14,698,668</u>	<u>\$ (5,441,755)</u>	<u>\$ 301,456</u>	<u>\$ -</u>	<u>\$ 76,329,298</u>

**THE CITY OF PENTICTON
SEWER REVENUE FUND
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	2017 Budget	2017	2016
Revenue			
Taxation	\$ -	\$ -	\$ 1,373,636
Sales of Services	5,218,069	5,080,860	4,625,517
Government Grants and Transfers	215,821	215,822	215,822
Transfer From Other Funds/Reserves	-	1,031,396	2,156,826
	<u>5,433,890</u>	<u>6,328,078</u>	<u>8,371,801</u>
Expenditure			
Salaries and Benefits	1,453,156	1,471,248	1,349,195
Goods and Services	1,710,856	2,154,684	1,837,641
Interest	773,830	759,695	758,021
Principal Payments	575,057	575,057	575,057
Other Expenses	-	1,365	-
Vehicle & Equipment Maintenance	379,895	333,988	336,348
Transfer to Other Funds/Reserves	541,096	2,721,753	2,156,826
	<u>5,433,890</u>	<u>8,017,790</u>	<u>7,013,088</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(1,689,712)</u>	<u>1,358,713</u>
CHANGE IN FUND BALANCES	-	(1,689,712)	1,358,713
FUND BALANCES, BEGINNING OF YEAR	6,901,389	6,901,389	5,542,676
FUND BALANCES, END OF YEAR	<u>\$ 6,901,389</u>	<u>\$ 5,211,677</u>	<u>\$ 6,901,389</u>

**THE CITY OF PENTICTON
WATER REVENUE FUND
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	2017 Budget	2017	2016
Revenue			
Sales of Services	\$ 8,030,014	\$ 8,575,744	\$ 8,153,476
Government Grants and Transfers	-	662,745	-
Transfer From Other Funds/Reserves	1,578,336	939,158	1,352,716
Other Revenue	25,000	6,555	-
	<u>9,633,350</u>	<u>10,184,202</u>	<u>9,506,192</u>
Expenditure			
Salaries and Benefits	1,379,711	1,580,007	1,496,468
Goods and Services	1,510,784	2,490,503	1,754,094
Interest	448,795	444,620	592,126
Principal Payments	422,123	422,123	458,414
Other Expenses	21,787	3,417	-
Vehicle & Equipment Maintenance	265,215	159,621	184,946
Transfer to Other Funds/Reserves	5,584,935	4,087,725	2,368,812
	<u>9,633,350</u>	<u>9,188,016</u>	<u>6,854,860</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>996,186</u>	<u>2,651,332</u>
CHANGE IN FUND BALANCES	-	996,186	2,651,332
FUND BALANCES, BEGINNING OF YEAR	3,913,263	3,913,263	1,261,931
FUND BALANCES, END OF YEAR	<u>\$ 3,913,263</u>	<u>\$ 4,909,449</u>	<u>\$ 3,913,263</u>

THE CITY OF PENTICTON
ELECTRIC REVENUE FUND
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	2017 Budget	2017	2016
Revenue			
Sales of Services	\$ 42,033,580	\$ 45,209,797	\$ 39,647,110
Other Revenue	7,000	12,609	13,800
Transfer From Other Funds/Reserves	2,590,233	1,137,922	1,362,733
	<u>44,630,813</u>	<u>46,360,328</u>	<u>41,023,643</u>
Expenditure			
Salaries and Benefits	1,471,671	2,249,394	1,715,290
Goods and Services	32,544,519	32,397,614	29,048,758
Other Expenses	79,651	66,313	-
Vehicle & Equipment Maintenance	3,641,895	3,620,369	162,930
Transfer to Other Funds/Reserves	6,893,077	5,704,951	5,742,133
	<u>44,630,813</u>	<u>44,038,641</u>	<u>36,669,111</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>2,321,687</u>	<u>4,354,532</u>
CHANGE IN FUND BALANCES	-	2,321,687	4,354,532
FUND BALANCES, BEGINNING OF YEAR	14,500,932	14,500,932	10,146,400
FUND BALANCES, END OF YEAR	<u>\$ 14,500,932</u>	<u>\$ 16,822,619</u>	<u>\$ 14,500,932</u>

**THE CITY OF PENTICTON
DEBT ISSUED AND OUTSTANDING
DECEMBER 31, 2017
(UNAUDITED)**

LIA B Law	S/I B Law	Issue	Issue		Purpose	Issue Amount	Outstanding Amount	Term (Years)	Maturity	Rate (%)	2017 Payments	
			Date								Interest	Principal
General Fund												
9925	20005	72	12-Apr-00		RCMP Building	\$ 2,500,000	\$ 537,074	20	2020	2.100	\$ 52,500	\$ 82,873
9925	20046	73	07-Nov-00		RCMP Building	1,500,000	322,244	20	2020	2.100	31,500	49,725
2003-15	2268	81	22-Apr-04		Storm Sewer	337,500	156,706	20	2024	2.400	8,100	10,207
2004-16	859-2004	85	25-Oct-04		Parks-Land Acquisition	1,680,000	780,047	20	2024	2.000	33,600	50,807
2004-18	859/2004	85	25-Oct-04		Road Works-S. Main St.	195,000	90,541	20	2024	2.000	3,900	5,897
2004-19	859/2004	85	25-Oct-04		Road Design-Main St.	150,000	69,647	20	2024	2.000	3,000	4,536
2004-20	859/2004	85	25-Oct-04		Integrated Waterfront	550,000	255,373	20	2024	2.000	11,000	16,633
2004-21	859/2004	85	25-Oct-04		Youth Park	50,000	23,216	20	2024	2.000	1,000	1,512
2004-11	1108/2004	93	06-Apr-05		Wine Information Centre	800,000	368,908	20	2025	5.100	19,862	41,105
2004-20	1108-2004	93	06-Apr-05		Integrated Waterfront	520,000	239,790	20	2025	5.100	12,911	26,718
2004-21	614/2005	95	13-Oct-05		Youth Park	150,000	73,993	20	2025	1.800	2,700	5,514
2005-18	615/2005	95	13-Oct-05		Integrated Waterfront	825,000	406,962	20	2025	1.800	14,850	30,328
2006-15	17/17/2006	99	07-Nov-06		Road Works-Fairview/Ind	1,595,000	872,632	20	2026	1.750	27,913	53,563
2006-17	17/17/2006	99	07-Nov-06		Sportsfields	3,200,000	1,750,735	20	2026	1.750	56,000	107,462
2006-18	273-2007	102	27-Mar-07		Queens Park Site Serv	7,000,000	-	10	2017	4.820	337,400	583,037
2006-33	273/2007	102	02-Nov-07		Integrated Waterfront '06	350,000	208,885	20	2027	4.820	16,870	11,754
2006-39	273/2007	102	02-Nov-07		S Okanagan Event Ctre	8,000,000	-	10	2017	4.820	385,600	666,328
2006-76	024/2008	103	23-Apr-08		Wellness Centre	3,000,000	1,933,834	20	2028	4.650	139,500	100,745
2006-39	333/2008	104	20-Nov-08		S Okanagan Event Cntr	10,000,000	1,185,490	10	2018	5.150	515,000	832,909
2007-41	333/2008	104	20-Nov-08		Cemetery-Columbarium	2,500,000	1,611,528	20	2028	5.150	128,750	83,954
2007-52	333/2008	104	20-Nov-08		Indoor Soccer Facility	1,000,000	644,611	20	2028	5.150	51,500	33,582
2007-57	333/2008	104	20-Nov-08		Integrated Waterfront	530,000	341,644	20	2028	5.150	27,295	17,798
2007-60	333/2008	104	20-Nov-08		PIDA	1,140,000	135,146	10	2018	5.150	58,710	94,952
2007-60	157-2009	105	21-Apr-09		PIDA	231,344	53,796	10	2019	4.900	11,336	19,269
2007-52	638/2009	106	13-Oct-09		Indoor Soccer Facility	415,000	286,587	20	2029	4.130	17,140	13,936
2007-52	15/30/2010	110	08-Apr-10		Indoor Soccer Ph2	586,000	430,570	20	2030	4.500	26,370	19,679

**THE CITY OF PENTICTON
DEBT ISSUED AND OUTSTANDING
DECEMBER 31, 2017
(UNAUDITED)**

LIA B Law	S/1 B Law	Issue	Issue Date	Purpose	Issue Amount	Outstanding Amount	Term (Years)	Maturity	Rate (%)	2017 Payments	
										Interest	Principal
2009-14	15/30/2010	110	08-Apr-10	Pool Upgrades	7,400,000	5,437,235	20	2030	4.500	333,000	248,505
2007-52	B25/2011	116	04-Apr-11	Indoor Soccer Facility	135,000	104,929	20	2031	4.200	5,670	4,534
2009-43	B25/2011	116	04-Apr-11	Road Wrks-Smythe Dr	447,000	347,432	20	2031	4.200	18,774	15,011
					<u>56,786,844</u>	<u>18,669,555</u>				<u>2,351,751</u>	<u>3,232,873</u>
Water Fund											
2006-07	17/07/2006	99	07-Nov-06	Naramata Rd. Upgrade	4,670,000	2,554,979	20	2026	1.750	81,725	156,827
2007-83	333/2008	104	20-Nov-08	Water Filtration Plant	4,000,000	2,578,445	20	2028	5.150	206,000	134,327
2007-83	638/2009	106	13-Oct-09	Water Filtration Plant	3,900,000	2,693,224	20	2029	4.130	161,070	130,969
					<u>12,570,000</u>	<u>7,826,648</u>				<u>448,795</u>	<u>422,123</u>
Sewer Fund											
2006-61	273/2007	102	02-Nov-07	Septage Handling Facility	1,050,000	626,655	20	2027	4.820	50,610	35,261
2008-10	333-2008	104	02-Nov-07	Sewer System Upgrade	8,000,000	5,156,890	20	2028	5.150	412,000	268,654
2007-60	333/2008	104	20-Nov-08	PIDA	360,000	42,678	10	2018	5.150	18,540	29,985
2007-60	157/2009	105	21-Apr-09	PIDA	73,056	16,988	10	2019	4.900	3,580	6,085
2008-10	638-2009	106	13-Oct-09	Sewer Plant Expansion	7,000,000	4,833,991	20	2029	4.130	289,100	235,072
					<u>16,483,056</u>	<u>10,677,202</u>				<u>773,830</u>	<u>575,057</u>
					<u>\$ 85,839,900</u>	<u>\$ 37,173,405</u>				<u>\$ 3,574,376</u>	<u>\$ 4,230,053</u>

**THE CITY OF PENTICTON
CEMETERY PERPETUAL TRUST FUND
STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

ASSETS

Bank Term Deposits

Less:

Due To General Revenue Fund

SURPLUS

Balance, Beginning of Year

Add:

Care Fund Contributions

Interest Earned

Deduct:

Cemetery Maintenance

Balance, End of Year

2017	2016
\$ 1,016,404	\$ 993,552
29,710	46,153
<u>\$ 986,694</u>	<u>\$ 947,399</u>
\$ 947,399	\$ 921,779
39,240	33,220
22,855	22,400
<u>62,095</u>	<u>55,620</u>
22,800	30,000
<u>\$ 986,694</u>	<u>\$ 947,399</u>

2017 Permissive Tax Exemptions

Name of Applicant	Civic Address	2017 Municipal Taxes Exempted
Affordable Living for Today Society	245 Warren Ave. W.	\$3,600
Army, Navy & Air Force Veterans in Canada, Unit 97	257 Brunswick St.	\$1,634
Care Closet	574 Main St.	\$1,922
Cheers the Church	639 Main St.	\$5,551
Christian Science Society	608 Winnipeg St.	\$2,020
Church of Jesus Christ of Latter Day Saints	2946 South Main St.	\$5,384
Church of the Nazarene	523 Jermyn Ave.	\$3,014
Concordia Lutheran Church	2800 South Main St.	\$5,005
Fraternal Order of Eagles Aerie 4281	1197 Main St.	\$2,918
Good Samaritan Canada (A Lutheran Social Service Organization)	270 Hastings Ave.	\$59,617
Governing Council of the Salvation Army Corps 344	2469 South Main St.	\$3,920
Governing Council of the Salvation Army Corps 344	318 Ellis St.	\$3,635
Governing Council of the Salvation Army Corps 344	2399 South Main St.	\$8,818
Grace Mennonite Brethren Church	74 Penticton Ave.	\$1,601
Green Mountain Christian Congregation of Jehovah's Witnesses	52 Roy Ave.	\$3,458
Hellenic Community Society of Penticton	1265 Fairview Rd.	\$1,379
Holy Cross School	1299 Manitoba St.	\$3,091
LUSO Canadian Multicultural Society of Penticton	135 Winnipeg St.	\$2,163
Oasis United Church	2964 Skaha Lake Rd.	\$8,749
Okanagan Boys & Girls Club	1295 Manitoba St.	\$4,928
Ooknakane Friendship Centre	146 Ellis St.	\$4,593
Our Redeemer Lutheran Church of Penticton, BC	1370 Church St.	\$1,633
Penticton & District Community Arts Council	220 Manor Park Ave.	\$10,090
Penticton & District Community Resources Society	150 McPherson Cres.	\$2,573
Penticton & District Community Resources Society	154 McPherson Cres.	\$2,573
Penticton & District Community Resources Society	330 Ellis St.	\$10,952
Penticton & District Community Resources Society	470 Edmonton Ave.	\$2,780
Penticton & District Community Resources Society	500 Edmonton Ave.	\$1,011
Penticton & District Community Resources Society	1160 Commercial Way	\$2,731
Penticton & District Community Resources Society	2434 Baskin St.	\$986
Penticton & District Community Resources Society	2450 Baskin St.	\$990
Penticton & District Emergency Program Society	251 Dawson Ave.	\$1,315
Penticton & District Hospice Society	129 Nanaimo Ave. W.	\$3,416
Penticton & District Minor Hockey Association	325 Power St.	\$1,332
Penticton & District Society for Community Living	180 Industrial Ave.	\$12,677
Penticton & District Society for Community Living	234 Van Horne St.	\$2,426
Penticton & District Society for Community Living	252 Conklin Ave.	\$1,919
Penticton & District Society for Community Living	393 Winnipeg St.	\$1,870
Penticton & District Society for Community Living	453 Winnipeg St.	\$12,863
Penticton & Wine Country Chamber of Commerce	102 Ellis St.	\$2,416
Penticton Alliance Church	197 Brandon Ave.	\$3,921
Penticton Art Gallery	199 Marina Way	\$17,715

2017 Permissive Tax Exemptions		
Name of Applicant	Civic Address	2017 Municipal Taxes Exempted
Penticton Bethel Pentecostal Tabernacle	65 Preston Ave.	\$1,975
Penticton Bethel Pentecostal Tabernacle	945 Main St.	\$6,554
Penticton Bethel Pentecostal Tabernacle	973 Main St.	\$3,539
Penticton Christian School Society	1060 Main St.	\$746
Penticton Community Garden Society	480 Vancouver Ave.	\$1,833
Penticton Curling Club	505 Vees Dr.	\$12,411
Penticton Early Childhood Education Society	104 - 550 Carmi Ave.	\$1,463
Penticton Elks Lodge 51	343 Ellis St.	\$4,679
Penticton First Baptist Church	1498 Government St.	\$5,114
Penticton Free Presbyterian Church	120 Preston Ave.	\$2,781
Penticton Golf & Country Club	600 Comox St.	\$9,537
Penticton Golf & Country Club	852 Eckhardt Ave. W.	\$14,452
Penticton Horseshoe Pitchers Club	2905 South Main St.	\$2,234
Penticton Kinsmen Disability Resource Centre Society	216 Hastings Ave.	\$8,337
Penticton Kiwanis Housing Society	101 - 150 Van Horne St.	\$773
Penticton Kiwanis Housing Society	102 - 150 Van Horne St.	\$769
Penticton Kiwanis Housing Society	103 - 150 Van Horne St.	\$652
Penticton Kiwanis Housing Society	104 - 150 Van Horne St.	\$648
Penticton Kiwanis Housing Society	105 - 150 Van Horne St.	\$652
Penticton Kiwanis Housing Society	112 - 150 Van Horne St.	\$769
Penticton Kiwanis Housing Society	113 - 150 Van Horne St.	\$652
Penticton Kiwanis Housing Society	115 - 150 Van Horne St.	\$778
Penticton Kiwanis Housing Society	201 - 150 Van Horne St.	\$777
Penticton Kiwanis Housing Society	202 - 150 Van Horne St.	\$773
Penticton Kiwanis Housing Society	204 - 150 Van Horne St.	\$652
Penticton Kiwanis Housing Society	209 - 150 Van Horne St.	\$655
Penticton Kiwanis Housing Society	210 - 150 Van Horne St.	\$655
Penticton Kiwanis Housing Society	211 - 150 Van Horne St.	\$655
Penticton Kiwanis Housing Society	212 - 150 Van Horne St.	\$657
Penticton Kiwanis Housing Society	213 - 150 Van Horne St.	\$655
Penticton Kiwanis Housing Society	214 - 150 Van Horne St.	\$773
Penticton Kiwanis Housing Society	215 - 150 Van Horne St.	\$782
Penticton Kiwanis Housing Society	301 - 150 Van Horne St.	\$777
Penticton Kiwanis Housing Society	302 - 150 Van Horne St.	\$773
Penticton Kiwanis Housing Society	304 - 150 Van Horne St.	\$652
Penticton Kiwanis Housing Society	308 - 150 Van Horne St.	\$755
Penticton Kiwanis Housing Society	310 - 150 Van Horne St.	\$655
Penticton Kiwanis Housing Society	312 - 150 Van Horne St.	\$657
Penticton Kiwanis Housing Society	314 - 150 Van Horne St.	\$773
Penticton Kiwanis Housing Society	315 - 150 Van Horne St.	\$782
Penticton Kiwanis Housing Society	401 - 150 Van Horne St.	\$777
Penticton Kiwanis Housing Society	402 - 150 Van Horne St.	\$773

2017 Permissive Tax Exemptions

Name of Applicant	Civic Address	2017 Municipal Taxes Exempted
Penticton Kiwanis Housing Society	404 - 150 Van Horne St.	\$652
Penticton Kiwanis Housing Society	406 - 150 Van Horne St.	\$652
Penticton Kiwanis Housing Society	408 - 150 Van Horne St.	\$755
Penticton Kiwanis Housing Society	410 - 150 Van Horne St.	\$655
Penticton Kiwanis Housing Society	412 - 150 Van Horne St.	\$657
Penticton Kiwanis Housing Society	413 - 150 Van Horne St.	\$655
Penticton Kiwanis Housing Society	414 - 150 Van Horne St.	\$773
Penticton Kiwanis Housing Society	415 - 150 Van Horne St.	\$782
Penticton Lawn Bowling Club	260 Brunswick St.	\$5,161
Penticton Masonic Building Association	416 Westminster Ave. W.	\$2,711
Penticton New Beginnings Christian Fellowship	96 Edmonton Ave.	\$851
Penticton Safety Village	490 Edmonton Ave.	\$3,960
Penticton Seniors' Drop-In Society	2905 South Main St.	\$24,937
Penticton Sikh Temple & Indian Cultural Society	3290 South Main St.	\$5,668
Penticton Tennis Club	675 Marina Way	\$2,924
Penticton United Church	696 Main St.	\$3,272
Penticton Vineyard Community Church	1825 Main St.	\$10,141
Roman Catholic Bishop of Nelson (St. Anne's)	1296 Main St.	\$6,021
Roman Catholic Bishop of Nelson for PDCRS Pregnancy Support Program	200 Bennett Ave.	\$1,425
Roman Catholic Bishop of Nelson for Penticton Recovery Resource Society	397 Wade Ave. W.	\$1,347
Royal Canadian Legion #40	502 Martin St.	\$4,996
S.S. Sicamous Restoration Society	1099 Lakeshore Dr. W.	\$9,673
S.S. Sicamous Restoration Society	1101 Lakeshore Dr. W.	\$2,097
S.S. Sicamous Restoration Society	1175 Lakeshore Dr. W.	\$4,282
Seventh-day Adventist Church	290 Warren Ave.	\$4,365
South Okanagan Similkameen Brain Injury Society	332 Eckhardt Ave. W.	\$1,937
South Okanagan Similkameen Brain Injury Society	742 Argyle St.	\$1,794
South Okanagan Similkameen Medical Foundation	1748 Camrose St.	\$4,497
South Okanagan Similkameen Medical Foundation	1802 Camrose St.	\$3,142
South Okanagan Women in Need Society	Not disclosed	\$3,210
St. Andrew's Presbyterian Church	157 Wade Ave. W.	\$2,307
St. Andrew's Presbyterian Church	397 Martin St.	\$1,367
St. John Vianney Church	361 Wade Ave W.	\$2,878
St. Saviour's Anglican Church	150 Orchard Ave.	\$4,757
The B.C. Society for the Prevention of Cruelty to Animals	2200 Dartmouth Dr.	\$12,944
Victory Church of Penticton	352 Winnipeg St.	\$1,826

Total 2017 Permissive Tax Exemptions:**\$471,019**

2017 Revitalization Tax Exemptions		
Folio	Civic	2017 Municipal Taxes Exempted
04260-100	1050 Eckhardt Avenue West	\$0
04774-000	218 Main Street	\$2,760
06033-000	146 Ellis Street	\$0
07478-100	101 Rosetown Avenue	\$3,423
07530-525	1900 Camrose St./300 Okanagan Ave. E.	\$5,586
07601-500	1195 Commercial Way	\$3,655
07658-025	662 Okanagan Avenue East	\$10,589
04895-020	250 Winnipeg Street	\$24,601
01162-480	275 Waterloo Avenue	\$3,676
01459-005	1690 Fairview Road	\$1,294
01586-100	110 Industrial Place	\$2,820
04760-300	169 Estabrook Avenue	\$5,613
05113-010	317 Winnipeg Street	\$0
06533-000	412 Main Street	\$1,984
07575-000	1704 Government Street	\$20,063
07695-100	568 Dawson Avenue	\$11,157
00042-010	437 Martin Street	\$1,869
01594-450	182 Industrial Court	\$1,561
04023-005	3475 Wilson Street	\$82,738
04823-000	260 (270) Martin Street	\$1,068
06045-000	198 Ellis Street	\$6,017
06455-000	52 Front Street	\$507
07638-000	1356 Commercial Way	\$834
07639-000	1374 Commercial Way	\$5,579
07663-000	682 Okanagan Avenue	\$4,285
07666-500	272 Dawson Avenue	\$5,106
00105-000	535 Main Street	\$0
06300-008	345 Van Horne Street	\$5,238
06300-002	351 Van Horne Street	\$4,991
Total 2017 Revitalization Tax Exemptions:		\$217,011