

FINANCIAL STATEMENTS



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Chief Financial Officer's Report

May 2019

Your Worship and Members of Council,

I am pleased to submit the City of Penticton's 2018 Annual Financial Report for the year ended December 31, 2018 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, 2018.

Operating results from 2018 saw an increase in the City's net financial assets of \$1.0 million, bringing its total net financial assets to \$28.6 million. This resulted in an overall improvement of its accumulated surplus by 2.7%, with a total now of \$355.4 million.

Consolidated revenues for the City increased to \$119.7 million in 2018, a 0.7% increase over 2017. This increase was the result of a \$1.4 million increase in taxation revenue, emergency recoveries from the provincial government related to the 2017 flood damage and the receipt of a government grant for a creek project. These increases were partially offset by reductions in sale of electricity services.

Consolidated expenditures were \$110.5 million – an increase of 1.1% from 2017, owing primarily to an increase in expenditures transferred to operating from capital due to expenditures being outside of the Tangible Capital Asset policy or being related to repairs and maintenance and inflationary increases.

The general revenue fund saw an overall surplus of \$531,946, with revenues coming in at \$88.3 million, an increase of 3.6% over 2017.



Revenues increased with additional taxation revenue collected as well as emergency recoveries and government grants. Expenditures in 2018 were \$85.3 million, an increase of 3.3% over 2017. The main cost drivers include increases for collective agreement salary adjustments and inflationary cost increases.

As with many municipalities, the City continues to foster strong growth and development while at the same time addressing its aging infrastructure and the emergence of many social issues that are causing safety and security concerns within the community. Through the development of a Corporate Business Plan, the City has taken steps to share its overall priorities and specific initiatives with the community, including focus areas for investment. The City's Corporate Business Plan can be found at www.penticton.ca > Departments > Billing & Finance > Financial Plan 2019.

In 2019, the City will be investing \$535,000 in additional public safety and security initiatives such as hiring an additional RCMP member and two community safety officers. Over \$246,000 will be invested to prepare master plans and other key strategies and development plans to continue to foster growth and development. The City is also taking further steps to address its aging infrastructure by contributing \$1.8 million to its asset sustainability reserve, bringing the total reserve to \$3.9 million by the end of 2019. Through focus on key priorities and initiatives, the City is taking a balanced and intentional approach to advance our vision for Penticton as a vibrant, innovative, healthy waterfront city focused on sustainability, community and economic opportunity.



Jim Bauer

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Corporation of the City of Penticton and its controlled entities (the "Consolidated Entity"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations, the consolidated statement of change in net financial assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Entity as at December 31, 2018, and its consolidated results of operations, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Consolidated Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the supplementary schedules on pages 23 through 34 of the City of the City of Penticton's Financial Statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Consolidated Entity's financial reporting process.

Continued on next page

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Penticton, British Columbia

May 7, 2019

The City of Penticton

Consolidated Statement of Financial Position

December 31, 2018

	2018	2017
Financial Assets		
Cash	\$ 7,623,410	\$ 5,730,053
Term Deposits (Note 1)	84,097,897	87,799,083
Accounts Receivable (Note 2)	11,216,855	11,349,691
	<u>102,938,162</u>	<u>104,878,827</u>
Financial Liabilities		
Accounts Payable and Accrued Liabilities	14,594,055	15,544,385
Development Cost Charges (Note 3)	15,657,283	14,589,967
Deferred Revenue	5,590,939	5,374,566
Deposits	4,105,303	4,605,675
Long Term Debt (Note 8)	34,373,676	37,173,405
	<u>74,321,256</u>	<u>77,287,998</u>
Net Financial Assets	\$ 28,616,906	\$ 27,590,829
Non-Financial Assets		
Tangible Capital Assets (Note 9)	\$322,516,179	\$314,408,591
Inventory	3,806,292	3,636,271
Prepaid Expenses	501,192	596,538
	<u>326,823,663</u>	<u>318,641,400</u>
Accumulated Surplus	<u>\$355,440,569</u>	<u>\$346,232,229</u>

See accompanying notes to the Consolidated Financial Statements.

The City of Penticton

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018

	2018 Budget (Note 13)	2018	2017
Revenue			
Taxation (Note 16)	\$ 32,203,265	\$ 32,206,019	\$ 30,770,666
Sales of Services	65,728,912	69,631,879	70,814,449
Government Grants and Transfers (Note 14)	2,253,235	2,981,154	2,957,572
Other Revenue	7,044,754	9,339,446	9,931,637
Other Contributions	3,049,633	3,448,277	2,006,807
Gain on Disposal	30,000	133,843	123,356
Contributed Asset	-	2,021,239	2,380,923
	<u>110,309,799</u>	<u>119,761,857</u>	<u>118,985,410</u>
Expenditure (Note 10)			
General Government	10,210,468	19,033,265	18,300,461
Protective Services	15,812,758	15,967,295	15,915,825
Transportation Services	4,934,768	10,823,613	8,906,701
Environmental Health Services	1,732,223	1,735,059	1,607,516
Public Health and Safety	202,649	231,941	267,020
Environmental Development Services	3,309,046	3,652,838	3,308,318
Recreation and Culture	11,236,387	12,127,262	12,398,818
Electrical Supply	35,435,626	37,215,864	38,549,353
Sewer System Utility	4,076,703	5,209,151	5,228,799
Water Utility Services	3,279,752	4,557,229	4,869,739
	<u>90,230,380</u>	<u>110,553,517</u>	<u>109,352,550</u>
Annual Surplus	20,079,419	9,208,340	9,632,860
Accumulated Surplus, Beginning of Year	<u>346,232,229</u>	<u>346,232,229</u>	<u>336,599,369</u>
Accumulated Surplus, End of Year	<u>\$366,311,648</u>	<u>\$355,440,569</u>	<u>\$346,232,229</u>

See accompanying notes to the Consolidated Financial Statements.

The City of Penticton

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2018

	2018 Budget	2018	2017
Annual surplus	\$ 20,079,419	\$ 9,208,340	\$ 9,632,860
Acquisition of Tangible Capital Assets (Note 9)	(16,398,087)	(20,968,033)	(10,319,164)
Amortization (Note 9)	-	13,846,173	13,389,731
Net Disposal of Tangible Capital Assets (Note 9)	-	817,727	89,838
Contributed Tangible Capital Assets (Note 9)	-	(2,021,239)	(2,380,923)
Asset reclassification (Note 9)	-	217,783	385,771
	<u>3,681,332</u>	<u>1,100,751</u>	<u>10,798,113</u>
Change in Prepaid Expenses (Increase)	-	95,346	(39,936)
Consumption of Supplies Inventories	-	(170,020)	(936,232)
	<u>-</u>	<u>(74,674)</u>	<u>(976,168)</u>
Increase in Net Financial Assets	3,681,332	1,026,077	9,821,945
Net Financial Assets, Beginning of Year	27,590,829	27,590,829	17,768,884
Net Financial Assets, End of Year	<u>\$ 31,272,161</u>	<u>\$ 28,616,906</u>	<u>\$ 27,590,829</u>

See accompanying notes to the Consolidated Financial Statements.

The City of Penticton

Consolidated Statement of Cash Flows

Year ended December 31, 2018

	2018	2017
Operating Transactions		
Annual Surplus	\$ 9,208,340	\$ 9,632,860
Change in Non-Cash Operating Items		
(Increase) decrease in Accounts Receivable	132,837	(3,648,885)
Increase (decrease) in Trade Accounts Payable and Accrued Liabilities	(950,330)	2,603,838
Increase in Development Cost Charges	1,067,316	4,314,893
Increase in Deferred Revenues	216,373	240,649
Increase (decrease) in Deposits	(500,372)	2,039,801
(Increase) decrease in Prepaid Expenses	95,346	(39,936)
Increase in Inventory	(170,020)	(936,232)
Net Disposal of Tangible Capital Assets	817,727	89,838
Amortization	13,846,173	13,389,731
Contributed Tangible Capital Assets	(2,021,239)	(2,380,923)
Asset reclassification	217,782	385,771
	12,751,593	16,058,545
Cash Provided by Operating Activities	21,959,933	25,691,405
Capital Transactions		
Cash Used to Acquire Tangible Capital Assets	(20,968,033)	(10,319,164)
Financing Transactions		
Debt Proceeds	1,530,000	-
Debt Repayment	(4,329,729)	(5,939,821)
Investing Transactions		
(Increase) decrease in Term Deposits	3,701,186	(5,019,354)
Change in Cash	1,893,357	4,413,066
Cash, Beginning of Year	5,730,053	1,316,987
Cash, End of Year	\$ 7,623,410	\$ 5,730,053
Supplemental Cash Flow Information	2018	2017
Interest Paid	\$ 2,717,397	\$ 3,515,478

Note: Investment income recognized includes an actuarial addition to the sinking fund

See accompanying notes to the Consolidated Financial Statements.

The City of Penticton

Significant Accounting Policies

December 31, 2018

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

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, 2018

Revenue Recognition continued

Fee for Service

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

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. The City holds several works of art and historic treasures that have not been included in the tangible capital assets, including displays at the museum and various works of art and decorations in the facilities. 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
Construction in progress	No amortization taken

The City of Penticton

Significant Accounting Policies

December 31, 2018

Retirement and Employee Benefits

The City's retirement contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

City employees belonging to CUPE local 608 are eligible to accumulate sick leave until termination of employment. Unused sick leave is not eligible for payment upon retirement or termination and may not be used as vacation. Employees may accumulate a maximum of 10 days of sick leave.

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, 2018 the City has no liability for contaminated sites.

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2018

1. Term Deposits

	Maturity Date	Effective Interest Rate (%)	2018	2017
Valley First	May 14, 2019	2.25	\$ 24,750	\$ -
Valley First	May 14, 2019	2.25	30,000	-
Valley First	Aug 17, 2019	2.80	6,000,000	-
Valley First	Aug 17, 2019	2.40	6,000,000	-
Valley First	Aug 17, 2019	2.40	6,000,000	-
Valley First	Aug 17, 2019	2.40	5,000,000	-
Valley First	Aug 17, 2019	2.40	5,000,000	-
Valley First	Aug 17, 2019	2.35	3,000,000	-
Valley First	Nov 22, 2019	2.90	6,000,000	-
Valley First	Nov 22, 2019	2.55	6,000,000	-
Valley First	Nov 22, 2019	2.55	3,000,000	-
Valley First	Nov 22, 2019	2.55	3,000,000	-
Valley First	Nov 22, 2019	2.50	3,000,000	-
Valley First	Aug 17, 2023	3.05	5,000,000	-
Valley First Redemptions		-	-	61,223,660
Municipal Finance Authority		1.76	27,043,147	26,575,423
			<u>\$ 84,097,897</u>	<u>\$ 87,799,083</u>

2. Accounts Receivable

	2018	2017
Property Taxes	\$ 956,826	\$ 984,370
Other Receivables	3,468,399	3,645,341
Federal Government	266,759	350,404
Provincial Government	1,117,793	788,997
Regional District Okanagan Similkameen	167,580	3,271
Other Government Agencies	50,131	59,543
Utility Rates Receivable	4,764,047	4,878,382
Accrued Interest Receivable	402,634	609,673
Cemetery Trust Fund Receivable	22,686	29,710
	<u>\$ 11,216,855</u>	<u>\$ 11,349,691</u>

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2018

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.

	2018	2017
DCC by Type		
Roads DCC	\$ 1,831,008	\$ 1,553,588
Parks DCC	833,394	710,820
Drainage DCC	328,395	379,993
Waste Water DCC	8,632,969	8,136,869
Water DCC	4,031,517	3,808,697
	<u>15,657,283</u>	<u>14,589,967</u>
DCC Activity		
Balance, Beginning of Year	14,589,967	10,275,074
Return on Investments	264,877	159,240
DCCs Levied in the Year	1,239,738	4,463,347
Transfers to General Operating	(437,299)	(307,694)
	<u>\$ 15,657,283</u>	<u>\$ 14,589,967</u>

4. Development Cost Charges Reductions

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 2018 \$390,373 (2017 - \$217,011) of Economic Incentive tax exemptions were granted. In addition, Council approved \$910,736 (2017 - \$51,434) of DCC reductions in 2018.

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2018

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, 2017, the Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for 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 \$2,104,076 (2017 - \$1,924,992) for employer contributions to the Plan in fiscal 2018.

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, 2018, the long term debt of the Regional District aggregated \$79,084,988 (2017 - \$86,060,832).

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2018

6. Contingent Liabilities continued

b. Legal Actions

As at December 31, 2018, 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 \$734,459 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, 2018

8. Long Term Debt

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

	2018	2017
Long Term Debt	\$ 34,373,676	\$ 37,173,405

Principal repayments relating to long term debt of \$34,373,676 outstanding are due as follows (in thousands):

	2019	2020	2021	2022	2023	Thereafter
General Fund	\$ 1,365	\$ 1,347	\$ 1,215	\$ 1,219	\$ 1,221	\$ 10,922
Sewer Fund	545	539	539	539	539	7,169
Water Fund	422	422	422	422	422	5,105
	<u>\$ 2,332</u>	<u>\$ 2,308</u>	<u>\$ 2,176</u>	<u>\$ 2,180</u>	<u>\$ 2,182</u>	<u>\$ 23,196</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 2018 earnings in the Sinking Fund were calculated to be \$1,347,311 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 \$26,570,358 of expenditures that fall within the Capital Budget. Of this amount, \$20,968,033 met the TCA capitalization policy criteria while the remaining \$5,602,325 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, 2018

9. Tangible Capital Assets continued

	Land	Building	Equipment	Sewer Infrastructure	Water Infrastructure	Electrical Infrastructure	Roads	Construction in Progress	2018 Total
COST									
Opening Balance	\$ 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
Add: Additions	3,930,923	2,044,798	2,989,580	1,218,242	2,759,538	1,901,777	4,149,700	1,973,475	20,968,033
Add: Trsf to/from Construction in Progress	-	34,920	517,507	311,360	1,189,416	2,400,029	-	(4,453,232)	-
Add: Contributed Assets	-	-	-	934,706	350,686	-	735,847	-	2,021,239
Less: Disposals	68,874	240,936	169,027	-	528,494	-	377,189	-	1,384,520
Re-classification	-	-	-	-	-	-	-	(217,783)	(217,783)
	52,381,359	166,727,589	44,118,377	54,760,269	59,058,201	79,195,259	91,949,590	2,034,141	550,224,785
ACCUMULATED AMORTIZATION									
Opening Balance	-	71,318,473	27,567,519	10,508,279	19,379,927	36,527,883	49,127,144	-	214,429,225
Add: Amortization	-	4,936,745	2,003,770	1,098,271	890,867	2,119,112	2,797,408	-	13,846,173
Less: Acc Amortization on Disposals	-	134,924	118,418	-	253,102	-	60,350	-	566,794
	-	76,120,294	29,452,871	11,606,550	20,017,692	38,646,995	51,864,202	-	227,708,604
Net Book Value for Year Ended Dec. 31, 2018	\$ 52,381,359	\$ 90,607,295	\$ 14,665,506	\$ 43,153,719	\$ 39,040,509	\$ 40,548,264	\$ 40,085,388	\$ 2,034,141	\$ 322,516,181

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2018

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 to Financial Assets	-	-	-	-	-	-	-	(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	<u>\$ 48,519,310</u>	<u>\$ 93,570,334</u>	<u>\$ 13,212,798</u>	<u>\$ 41,787,682</u>	<u>\$ 35,907,128</u>	<u>\$ 38,365,570</u>	<u>\$ 38,314,088</u>	<u>\$ 4,731,681</u>	<u>\$ 314,408,591</u>

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2018

10. Reporting by Object

	2018	2017
Salaries and Benefits	\$ 27,898,089	\$ 26,840,274
Goods and Services	51,773,972	49,226,378
Interest	2,717,396	3,515,479
Amortization	13,846,173	13,389,732
Other Expenses	2,284,690	2,333,353
Vehicle & Equipment Maintenance	5,002,150	6,786,080
Policing Agreement	7,031,047	7,261,254
	<u>\$ 110,553,517</u>	<u>\$ 109,352,550</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, 2018 there was no balance outstanding.

b. Bank Indebtedness

The City holds a \$9,230,000 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, 2018 the Debt Reserve Fund demand note requirements were \$1,847,557 (2017 - \$2,507,605). In addition, cash deposits totaling \$844,411 (2017 - \$978,524) were held by the MFA.

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2018

13. Budget

The Financial Plan (Budget) Bylaw No. 2017-79 adopted by Council on January 9, 2018 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:

	2018
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Transfer to Funds/Reserves	19,394,026
Debt Principal Repayments	2,982,421
Budgeted Capital Expenditures - General	7,181,285
Budgeted Capital Expenditures - Electric	4,831,652
Budgeted Capital Expenditures - Sewer	2,677,000
Budgeted Capital Expenditures - Water	3,407,250
Less:	
Budgeted Transfers from Surplus	20,394,215
Budget Surplus per Statement of Operations	\$ 20,079,419

14. Transfers From Other Governments

	2018	2017
Gas tax community works fund	\$ 1,507,824	\$ 1,458,679
Traffic fine revenue sharing	385,881	381,557
Okanagan Basin Water Board grants	211,504	215,822
Province of British Columbia - Carmi Reservoir	511,705	662,745
BC Arts Council	18,000	20,000
Library	132,218	130,696
Miscellaneous	214,021	88,073
	\$ 2,981,153	\$ 2,957,572

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2018

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	2018	2017
Municipal Taxation			
Real Property	\$ 31,734,871	\$ 31,575,505	\$ 30,224,908
Special Assessments	213,875	170,067	198,927
Grants in Lieu	254,519	460,447	346,831
Total municipal taxation	32,203,265	32,206,019	30,770,666
Collections For other Governments			
School	16,718,620	15,647,890	15,318,549
Regional District	1,634,682	1,940,995	1,864,568
Regional Hospital	2,558,818	2,603,331	2,483,961
BCAA	463,752	409,730	392,230
Total collections for other taxing authorities	21,375,872	20,601,946	20,059,308
Transfers to Other Governments	(21,375,873)	(20,595,283)	(20,038,950)
Supplemental Taxation Remitted	-	(6,663)	(20,358)
Net taxation for municipal purposes	\$ 32,203,264	\$ 32,206,019	\$ 30,770,666

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, 2018

18. Contractual Rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in an asset in the future. The City's contractual rights arise because of contracts entered into for long-term land leases that grant rights to the City, upon termination of the lease, to any Building(s) the Tenant has constructed on the land. The following listing outlines the nature, amount, and timing for each of the City's contractual rights to future assets:

The Penticton Golf & Country Club

The LEASE Agreement between The City of Penticton and The Penticton Golf & Country Club dated July 1, 2007, will generate an asset to the City upon expiry of the lease. The LEASE Agreement grants the right of ownership of the Golf Clubhouse Building to the City; the current market value for this building is \$1,656,000. This is a 26 year, 4 month Lease, due to expire in 2033.

Art Gallery of the South Okanagan (Inc. 9986)

The LEASE Agreement between The City of Penticton and the Art Gallery of the South Okanagan (Inc, 9986) dated October 1, 1999, will generate an asset to the City upon expiry of the lease. The LEASE Agreement grants the right of ownership of the Art Gallery Building to the City; the current market value for this building is \$935,000. This is a 20 year Lease, due to expire in 2019.

Penticton Seniors' Drop-in Centre Society

The LEASE Agreement between The City of Penticton and the Penticton Seniors' Drop-in Centre Society dated June 1, 1999, will generate an asset to the City upon expiry of the lease. The LEASE Agreement grants the right of ownership of the Drop-In Centre Building to the City; the current market value for this building is \$1,708,000. This is a 20 year Lease, due to expire in 2019.

Gateway Casinos & Entertainment Limited

The LEASE Agreement between The City of Penticton and Gateway Casinos & Entertainment Limited dated May 4, 2016, will generate an asset to the City upon expiry of the lease. The LEASE Agreement grants the right of ownership of the Casino Building to the City; the current market value for this building is \$12,595,000. This is a 20 year Lease, due to expire in 2036 with two 10-year extension options.

19. 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

General Government operations are primarily funded by property taxation. 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 including administration, financial services, human resources, information technology, and revenue and collections.

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2018

19. Segmented Information continued

Protective Services

Protection is comprised of police services, fire protection dog control and building services. 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 the delivery of municipal public works services related to the City's public transit services, roads and maintenance, bridges, drainage systems, bylaw services, public works, street lighting and traffic control.

Environmental Health Services

Environmental services consists of providing waste disposal to citizens.

Public Health and Safety

Health services are comprised of public health services; this segment includes the operation of the City's Cemeteries.

Environmental Development Services

This segment includes city planning, economic development and ensures all property development and land use is in line with City Bylaw's and policies and is in the best interest of the community.

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. The segment also includes parks, land administration and the City's net contribution to the operations of the South Okanagan Events Centre.

Electrical Supply

The electrical supply system is responsible for distribution of electricity to the City's citizens and businesses. This segment includes all of the operating activities related to the supply of the City's electricity.

Sewer System Utility

The City's sanitary sewer system collects, conveys and treats and disposes of domestic and industrial wastewater. This segment includes all of the operating activities related to the collection and treatment of wastewater (sewage) throughout the City.

Water Utility Services

The water utility is responsible for planning, designing, building and operating and maintaining the City's water system and 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, 2018

	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	2018 Total
REVENUE											
Taxation	\$ 32,206,019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,206,019
Sales of Services	2,677,060	1,141,643	2,331,909	2,454,942	312,235	108,071	2,433,900	43,690,448	5,618,853	8,862,818	69,631,879
Government Grants and Transfers	1,923,706	111,701	-	-	-	52,320	170,218	-	211,504	511,705	2,981,154
Other Revenue	7,876,949	149,897	30,000	-	-	-	1,264,420	12,235	-	5,945	9,339,446
Other Contributions	218,821	-	1,396,927	-	-	-	-	1,111,216	81,378	639,935	3,448,277
Gain (loss) on Disposal	(106,012)	-	(537,499)	-	-	-	777,354	-	-	-	133,843
Contributed Asset	2,021,239	-	-	-	-	-	-	-	-	-	2,021,239
	<u>46,817,782</u>	<u>1,403,241</u>	<u>3,221,337</u>	<u>2,454,942</u>	<u>312,235</u>	<u>160,391</u>	<u>4,645,892</u>	<u>44,813,899</u>	<u>5,911,735</u>	<u>10,020,403</u>	<u>119,761,857</u>
EXPENDITURE											
Salaries and Benefits	5,479,572	7,756,242	2,044,532	132,471	42,422	1,808,745	5,637,748	1,939,788	1,510,690	1,545,879	27,898,089
Goods and Services	3,887,461	981,438	4,799,740	1,598,205	186,953	1,196,672	4,611,349	31,430,798	1,565,363	1,515,993	51,773,972
Interest	(27,144)	84,000	131,732	-	-	-	1,384,852	-	709,613	434,343	2,717,396
Amortization	7,833,058	-	1,904,865	-	-	-	-	2,119,112	1,098,271	890,867	13,846,173
Other Expenses	1,534,703	26,927	10,868	-	-	639,205	24,889	36,579	2,252	9,267	2,284,690
Vehicle & Equipment Maintenance	325,615	87,641	1,931,876	4,383	2,566	8,216	468,424	1,689,587	322,962	160,880	5,002,150
Policing Agreement	-	7,031,047	-	-	-	-	-	-	-	-	7,031,047
	<u>19,033,265</u>	<u>15,967,295</u>	<u>10,823,613</u>	<u>1,735,059</u>	<u>231,941</u>	<u>3,652,838</u>	<u>12,127,262</u>	<u>37,215,864</u>	<u>5,209,151</u>	<u>4,557,229</u>	<u>110,553,517</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 27,784,517</u>	<u>\$ (14,564,054)</u>	<u>\$ (7,602,276)</u>	<u>\$ 719,883</u>	<u>\$ 80,294</u>	<u>\$ (3,492,447)</u>	<u>\$ (7,481,370)</u>	<u>\$ 7,598,035</u>	<u>\$ 702,584</u>	<u>\$ 5,463,174</u>	<u>\$ 9,208,340</u>

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	2,847,427	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	70,814,449
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	-	43,588	-	-	-	-	-	-	-	123,356
Contributed Asset	2,380,923	-	-	-	-	-	-	-	-	-	2,380,923
	<u>46,605,515</u>	<u>1,548,411</u>	<u>2,281,551</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>118,985,410</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	3,853,201	826,727	3,496,708	1,469,544	212,409	1,138,281	4,255,190	30,516,156	1,597,089	1,861,073	49,226,378
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	-	-	615,770	24,666	66,313	1,365	3,417	2,333,353
Vehicle & Equipment Maintenance	294,817	86,500	1,804,613	4,277	5,579	9,291	467,025	3,620,369	333,988	159,621	6,786,080
Policing Agreement	-	7,261,254	-	-	-	-	-	-	-	-	7,261,254
	<u>18,300,461</u>	<u>15,915,825</u>	<u>8,906,701</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>109,352,550</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
General Revenue Fund
Statement of Operations
Year ended December 31, 2018 (unaudited)

	2018 Budget	2018	2017
Revenue			
Taxation	\$ 32,203,265	\$ 32,206,019	\$ 30,770,666
Sales of Services	13,990,211	16,137,073	16,626,398
Government Grants and Transfers	2,037,417	2,257,945	2,079,005
Transfer From Other Funds/Reserves	2,031,225	6,090,564	5,275,786
Other Revenue	7,035,754	9,321,265	9,912,473
Other Contributions	205,768	1,615,748	460,849
Sale of Assets	30,000	133,843	123,356
Collections For other Governments	21,375,873	20,601,945	20,059,308
	<u>78,909,513</u>	<u>88,364,402</u>	<u>85,307,841</u>
Expenditure			
Salaries and Benefits	21,792,717	23,502,011	22,175,482
Goods and Services	13,377,179	18,270,932	16,226,071
Interest	1,646,247	1,573,440	2,311,164
Principal Payments	1,985,241	1,985,239	3,232,873
Other Expenses	1,865,087	2,236,591	2,262,258
Vehicle & Equipment Maintenance	2,823,809	2,828,721	2,672,103
Policing Agreement	7,413,760	7,031,047	7,261,254
Transfer to Other Funds/Reserves	6,629,600	9,809,192	8,813,414
Transfers to Other Governments	21,375,873	20,595,283	20,038,950
	<u>78,909,513</u>	<u>87,832,456</u>	<u>84,993,569</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>531,946</u>	<u>314,272</u>
CHANGE IN FUND BALANCES	-	531,946	314,272
FUND BALANCES, BEGINNING OF YEAR	6,026,008	6,026,008	5,711,736
FUND BALANCES, END OF YEAR	<u>\$ 6,026,008</u>	<u>\$ 6,557,954</u>	<u>\$ 6,026,008</u>

The City of Penticton
Reserve Funds
Statement of Financial Position
Year ended December 31, 2018 (unaudited)

	2018	2017
Balance, Beginning of Year	\$ 14,539,200	\$ 10,815,928
Add		
Transfers from:		
Revenue Funds	5,165,260	3,650,159
Interest Earned	247,129	142,216
Deduct		
Transfers to:		
Capital Funds	5,356,300	69,103
	<u>\$ 14,595,289</u>	<u>\$ 14,539,200</u>
 STATUTORY RESERVE FUND BALANCES		
Equipment Replacement Reserve Fund	4,337,362	3,802,136
Tax Sale Lands Reserve Fund	7,687	7,555
Capital Reserve Fund	2,665,542	2,538,535
Land Acquisition Reserve	81,909	1,917,025
Local Improvement	1,062,349	1,258,805
Off-Site Parking Reserve Fund	124,577	122,434
Community Works Reserve Fund	1,066,911	922,087
Public Amenity Reserve	75,267	75,601
Affordable Housing Reserve	171,979	169,021
Alternative Transportation Reserve	53,666	52,743
Asset Sustainability	2,443,294	1,211,591
Water Capital Reserve Fund	919,964	904,142
Sewer Capital Reserve Fund	552,333	542,833
Electric Capital Reserve Fund	1,032,449	1,014,692
	<u>14,595,289</u>	<u>14,539,200</u>
Balance, End of Year	<u>\$ 14,595,289</u>	<u>\$ 14,539,200</u>

The City of Penticton Reserve Funds Statement of Changes in Fund Balances December 31, 2018 (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	2018 Total
Reserve							
Equipment Replacement	\$ 3,802,136	\$ 1,171,360	\$ 68,812	\$ (704,946)	\$ -	\$ -	\$ 4,337,362
Tax Sale Lands	7,555	-	132	-	-	-	7,687
Capital	2,538,535	299,521	33,885	(206,399)	-	-	2,665,542
Land Acquisition	1,917,025	846,228	17,339	(2,698,683)	-	-	81,909
Local Improvement	1,258,805	140,327	20,174	(334,073)	(22,884)	-	1,062,349
Off-Street Parking	122,434	-	2,143	-	-	-	124,577
Community Works	922,087	1,507,824	24,675	(1,387,675)	-	-	1,066,911
Public Amenity	75,601	-	1,306	(1,640)	-	-	75,267
Affordable Housing	169,021	-	2,958	-	-	-	171,979
Alternative Transportation	52,743	-	923	-	-	-	53,666
Asset Sustainability	1,211,591	1,200,000	31,703	-	-	-	2,443,294
Water Capital	904,142	-	15,822	-	-	-	919,964
Sewer Capital	542,833	-	9,500	-	-	-	552,333
Electric Capital	1,014,692	-	17,757	-	-	-	1,032,449
	\$ 14,539,200	\$ 5,165,260	\$ 247,129	\$ (5,333,416)	\$ (22,884)	\$ -	\$ 14,595,289

The City of Penticton
Reserves
Statement of Changes in Fund Balances
Year ended December 31, 2018 (unaudited)

	Balance, Beginning of Year	Transfers In	Transfers Out	Interest	Inter-reserve Transfers	2018 Total
Non-Statutory						
Asset Emergency	\$ 958,474	\$ 378,504	\$ (571,535)	\$ -	\$ -	\$ 765,443
Building Permit Stabilization	100,000	-	(54,989)	-	-	45,011
Carbon Tax Credit Reserve	152,421	-	-	-	-	152,421
Cemetery Land	133,000	-	-	-	-	133,000
Climate Action	179,320	52,320	-	-	-	231,640
Election	70,952	-	(70,952)	-	-	-
Electric Surplus	16,822,619	2,233,665	-	-	-	19,056,284
Financial Stabilization	78,568	132,986	-	-	-	211,554
Gaming	6,160,879	1,391,693	(2,784,978)	-	-	4,767,594
General Surplus	6,026,010	531,946	-	-	-	6,557,956
Infrastructure	400,000	-	-	-	-	400,000
Investment Income	1,369,942	-	-	-	-	1,369,942
Liability Insurance	250,001	-	-	-	-	250,001
Marinas	547,604	60,494	-	-	-	608,098
Multi-Material BC	70,602	443,826	(222,000)	-	-	292,428
Northgate	52,000	-	-	-	-	52,000
Parking & Revitalization	51,765	-	-	-	-	51,765
Public Art	47,271	75,000	(27,500)	-	-	94,771
Rate Stabilization	200,000	-	-	-	-	200,000
RCMP	359,999	100,000	-	-	-	459,999
Sewer Equipment Replacement	108,022	72,246	-	-	-	180,268
Sewer Surplus	5,211,677	-	(1,589,958)	-	-	3,621,719
Snow Clearing Stabilization	75,000	-	-	-	-	75,000
Special Events Site	21,166	-	-	-	-	21,166
Water Surplus	4,909,448	1,892,666	-	-	-	6,802,114
West Bench Capital	1,185,185	-	-	-	-	1,185,185
West Bench Water	1,645,056	-	(78,336)	-	-	1,566,720
Wine/Info	13,150	-	-	-	-	13,150
	47,200,131	7,365,346	(5,400,248)	-	-	49,165,229
Statutory	14,539,200	5,165,260	(5,356,300)	247,129	-	14,595,289
DCC	14,589,967	1,239,738	(437,299)	264,877	-	15,657,283
	<u>\$ 76,329,298</u>	<u>\$ 13,770,344</u>	<u>\$ (11,193,847)</u>	<u>\$ 512,006</u>	<u>\$ -</u>	<u>\$ 79,417,801</u>

The City of Penticton
Sewer Revenue Fund
Statement of Operations
Year ended December 31, 2018 (unaudited)

	2018 Budget	2018	2017
Revenue			
Sales of Services	\$ 5,745,121	\$ 5,618,853	\$ 5,080,860
Government Grants and Transfers	215,818	211,504	215,822
Transfer From Other Funds/Reserves	1,917,422	1,252,791	1,031,396
	<u>7,878,361</u>	<u>7,083,148</u>	<u>6,328,078</u>
Expenditure			
Salaries and Benefits	1,513,455	1,510,690	1,471,248
Goods and Services	2,033,194	2,214,963	2,154,684
Interest	773,830	709,613	759,695
Principal Payments	575,057	575,057	575,057
Other Expenses	-	2,252	1,365
Vehicle & Equipment Maintenance	405,825	322,962	333,988
Transfer to Other Funds/Reserves	2,677,000	3,337,569	2,721,753
	<u>7,978,361</u>	<u>8,673,106</u>	<u>8,017,790</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(100,000)</u>	<u>(1,589,958)</u>	<u>(1,689,712)</u>
CHANGE IN FUND BALANCES	(100,000)	(1,589,958)	(1,689,712)
FUND BALANCES, BEGINNING OF YEAR	5,211,677	5,211,677	6,901,389
FUND BALANCES, END OF YEAR	<u>\$ 5,111,677</u>	<u>\$ 3,621,719</u>	<u>\$ 5,211,677</u>

The City of Penticton
Water Revenue Fund
Statement of Operations
Year ended December 31, 2018 (unaudited)

	2018 Budget	2018	2017
Revenue			
Sales of Services	\$ 8,466,692	\$ 8,862,818	\$ 8,575,744
Government Grants and Transfers	-	511,705	662,745
Transfer From Other Funds/Reserves	78,336	3,080,159	939,158
Other Revenue	-	5,945	6,555
	<u>8,545,028</u>	<u>12,460,627</u>	<u>10,184,202</u>
Expenditure			
Salaries and Benefits	1,448,791	1,545,879	1,580,006
Goods and Services	1,810,208	2,231,481	2,490,503
Interest	448,795	434,343	444,620
Principal Payments	422,123	422,123	422,123
Other Expenses	18,171	9,267	3,417
Vehicle & Equipment Maintenance	269,275	160,880	159,621
Transfer to Other Funds/Reserves	4,227,665	5,763,988	4,087,725
	<u>8,645,028</u>	<u>10,567,961</u>	<u>9,188,015</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(100,000)</u>	<u>1,892,666</u>	<u>996,187</u>
CHANGE IN FUND BALANCES	(100,000)	1,892,666	996,187
FUND BALANCES, BEGINNING OF YEAR	4,909,450	4,909,450	3,913,263
FUND BALANCES, END OF YEAR	<u>\$ 4,809,450</u>	<u>\$ 6,802,116</u>	<u>\$ 4,909,450</u>

The City of Penticton
Electric Revenue Fund
Statement of Operations
Year ended December 31, 2018 (unaudited)

	2018 Budget	2018	2017
Revenue			
Sales of Services	\$ 42,075,311	\$ 43,690,448	\$ 45,209,797
Other Revenue	9,000	12,235	12,609
Transfer From Other Funds/Reserves	1,531,292	482,324	1,137,922
	<u>43,615,603</u>	<u>44,185,007</u>	<u>46,360,328</u>
Expenditure			
Salaries and Benefits	1,616,803	1,939,788	2,249,394
Goods and Services	35,284,722	33,133,633	32,397,614
Other Expenses	68,953	36,579	66,313
Vehicle & Equipment Maintenance	167,982	1,689,587	3,620,369
Transfer to Other Funds/Reserves	6,477,143	5,151,755	5,704,951
	<u>43,615,603</u>	<u>41,951,342</u>	<u>44,038,641</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>2,233,665</u>	<u>2,321,687</u>
CHANGE IN FUND BALANCES	-	2,233,665	2,321,687
FUND BALANCES, BEGINNING OF YEAR	16,822,619	16,822,619	14,500,932
FUND BALANCES, END OF YEAR	<u>\$ 16,822,619</u>	<u>\$ 19,056,284</u>	<u>\$ 16,822,619</u>

The City of Penticton
Storm Water
Statement of Revenue and Expenditure
Year ended December 31, 2018 (unaudited)

	2018 Budget	2018	2017
REVENUE			
Sales of Services	\$ -	\$ 172,729	\$ -
Government Grants and Transfers	-	10,000	-
	-	182,729	-
EXPENDITURE			
Salaries and Benefits	116,717	131,920	97,441
Goods and Services	23,500	136,874	33,348
Other Expenses	-	155	-
Vehicle & Equipment Maintenance	28,750	32,261	14,460
	168,967	301,210	145,249
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (168,967)	\$ (118,481)	\$ (145,249)

See accompanying notes to the Consolidated Financial Statements.

The City of Penticton

Debt Issued and Outstanding

December 31, 2018 (unaudited)

LIA B Law	Issue				Issue Amount	Outstanding Amount	Term (Years)	Maturity	Rate (%)	2018 Payments	
	S/1 B Law	Date	Purpose	Issue						Interest	Principal
General Fund											
9925	20005	72	12-Apr-00	RCMP Building	\$ 2,500,000	\$ 365,869	20	2020	2.100	\$ 52,500	\$ 82,873
9925	20046	73	07-Nov-00	RCMP Building	1,500,000	219,521	20	2020	2.100	31,500	49,725
2003-15	2268	81	22-Apr-04	Storm Sewer	337,500	137,459	20	2024	2.400	8,100	10,207
2004-16	859-2004	85	25-Oct-04	Parks-Land Acquisition	1,680,000	684,242	20	2024	2.000	33,600	50,807
2004-18	859/2004	85	25-Oct-04	Road Works-S. Main St.	195,000	79,421	20	2024	2.000	3,900	5,897
2004-19	859/2004	85	25-Oct-04	Road Design-Main St.	150,000	61,093	20	2024	2.000	3,000	4,536
2004-20	859/2004	85	25-Oct-04	Integrated Waterfront	550,000	224,008	20	2024	2.000	11,000	16,633
2004-21	859/2004	85	25-Oct-04	Youth Park	50,000	20,364	20	2024	2.000	1,000	1,512
2004-11	1108/2004	93	06-Apr-05	Wine Information Centre	800,000	326,755	20	2025	5.100	17,739	42,153
2004-20	1108-2004	93	06-Apr-05	Integrated Waterfront	520,000	212,391	20	2025	5.100	11,531	27,400
2004-21	614/2005	95	13-Oct-05	Youth Park	150,000	65,819	20	2025	1.800	2,700	5,514
2005-18	615/2005	95	13-Oct-05	Integrated Waterfront	825,000	362,002	20	2025	1.800	14,850	30,328
2006-15	17/17/2006	99	07-Nov-06	Road Works-Fairview/Ind	1,595,000	790,174	20	2026	1.750	27,913	53,563
2006-17	17/17/2006	99	07-Nov-06	Sportsfields	3,200,000	1,585,303	20	2026	1.750	56,000	107,462
2006-33	273/2007	102	02-Nov-07	Integrated Waterfront '06	350,000	191,487	20	2027	2.250	7,875	11,754
2006-76	024/2008	103	23-Apr-08	Wellness Centre	3,000,000	1,790,442	20	2028	3.650	109,500	100,745
2006-39	333/2008	104	20-Nov-08	S Okanagan Event Cntr	10,000,000	-	10	2018	5.150	515,000	832,909
2007-41	333/2008	104	20-Nov-08	Cemetery-Columbarium	2,500,000	1,492,035	20	2028	5.150	128,750	83,954
2007-52	333/2008	104	20-Nov-08	Indoor Soccer Facility	1,000,000	596,814	20	2028	5.150	51,500	33,582
2007-57	333/2008	104	20-Nov-08	Integrated Waterfront	530,000	316,311	20	2028	5.150	27,295	17,798
2007-60	333/2008	104	20-Nov-08	PIDA	1,140,000	-	10	2018	5.150	58,710	94,952
2007-60	157-2009	105	21-Apr-09	PIDA	231,344	27,426	10	2019	4.900	11,336	19,269
2007-52	638/2009	106	13-Oct-09	Indoor Soccer Facility	415,000	267,514	20	2029	4.130	17,140	13,936
2007-52	15/30/2010	110	08-Apr-10	Indoor Soccer Ph2	586,000	404,674	20	2030	4.500	26,370	19,679
2009-14	15/30/2010	110	08-Apr-10	Pool Upgrades	7,400,000	5,110,219	20	2030	4.500	333,000	248,505
2007-52	B25/2011	116	04-Apr-11	Indoor Soccer Facility	135,000	99,193	20	2031	4.200	5,670	4,534

Continued on next page

The City of Penticton

Debt Issued and Outstanding

December 31, 2018 (unaudited)

LIA B Law	S/1 B Law	Issue Date	Issue	Purpose	Issue Amount	Outstanding Amount	Term (Years)	Maturity	Rate (%)	2018 Payments	
										Interest	Principal
2009-43	B25/2011	04-Apr-11	116	Road Wrks-Smythe Dr	447,000	328,438	20	2031	4.200	18,774	15,011
26/2018				Downtown 300 Block Main Street	1,530,000	1,530,000	5		-	5,063	-
					<u>43,316,844</u>	<u>17,288,974</u>				<u>1,591,316</u>	<u>1,985,238</u>
Water Fund											
2006-07	17/07/2006	07-Nov-06	99	Naramata Rd. Upgrade	4,670,000	2,313,551	20	2026	1.750	81,725	156,827
2007-83	333/2008	20-Nov-08	104	Water Filtration Plant	4,000,000	2,387,256	20	2028	5.150	206,000	134,327
2007-83	638/2009	13-Oct-09	106	Water Filtration Plant	3,900,000	2,513,984	20	2029	4.130	161,070	130,969
					<u>12,570,000</u>	<u>7,214,791</u>				<u>448,795</u>	<u>422,123</u>
Sewer Fund											
2006-61	273/2007	02-Nov-07	102	Septage Handling Facility	1,050,000	574,460	20	2027	2.250	23,625	35,261
2008-10	333-2008	02-Nov-07	104	Sewer System Upgrade	8,000,000	4,774,511	20	2028	5.150	412,000	268,654
2007-60	333/2008	20-Nov-08	104	PIDA	360,000	-	10	2018	5.150	18,540	29,985
2007-60	157/2009	21-Apr-09	105	PIDA	73,056	8,661	10	2019	4.900	3,580	6,085
2008-10	638-2009	13-Oct-09	106	Sewer Plant Expansion	7,000,000	4,512,278	20	2029	4.130	289,100	235,072
					<u>16,483,056</u>	<u>9,869,910</u>				<u>746,845</u>	<u>575,057</u>
					<u>\$ 72,369,900</u>	<u>\$ 34,373,675</u>				<u>\$ 2,786,956</u>	<u>\$ 2,982,418</u>

The City of Penticton
 Cemetery Perpetual Trust Fund
 Statement of Financial Position
 Year ended December 31, 2018 (unaudited)

	2018	2017
ASSETS		
Bank Term Deposits	\$ 1,039,781	\$ 1,016,404
Less:		
Due To General Revenue Fund	22,686	29,710
	<u>\$ 1,017,095</u>	<u>\$ 986,694</u>
SURPLUS		
Balance, Beginning of Year	\$ 986,694	\$ 947,399
Add:		
Care Fund Contributions	30,324	39,240
Interest Earned	23,377	22,855
	<u>53,701</u>	<u>62,095</u>
Deduct:		
Cemetery Maintenance	23,300	22,800
Balance, End of Year	<u>\$ 1,017,095</u>	<u>\$ 986,694</u>