

FINANCIAL STATEMENTS

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Chief Financial Officer's Report

May 2020

Your Worship and Members of Council,

I am pleased to present the City of Penticton's 2019 Annual Financial Report for the year ended December 31, 2019 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, 2019. In their opinion the "consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2019".

Operating results from 2019 saw an increase in the City's net financial assets of almost \$14.0 million, bringing its total net financial assets to \$42.6 million. This resulted in an overall improvement of its accumulated surplus by 3.1%, with a total now of \$366.5 million.

Consolidated revenues for the City increased to \$121.1 million in 2019, a 1.1% increase over 2018. This increase was contributed to the increase in taxation revenue, a one-time doubling of the Community Works (Gas Tax) funds to support infrastructure and capacity building priorities, and an increase in investment revenues.

Consolidated expenditures were \$110.1 million – a decrease of 0.45% from 2018, mainly attributed to the additional electrical system projects completed in 2018. These decreases were offset by increases in protective services.



The general revenue fund saw an overall surplus of \$1,292,039, with revenues coming in at \$92.0 million, an increase of 4.1% over 2018. Revenues increased with additional taxation revenue collected, increased Community Works funds and increased investment revenues. Expenditures in 2019 were \$90.7 million, an increase of 3.3% over 2018. The main cost drivers include increases for collective agreement salary adjustments, inflationary cost increases, protective services costs, and transfers to reserves.

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. The City's 2020 Corporate Business Plan focuses on Asset and Amenity Management, Community Safety and Community Design.

In light of the COVID-19 pandemic, and the uncertainty around the short and long term effects of the pandemic, the City has taken steps to reassess its 2020 plan to ensure its long term stability by containing costs, and focusing efforts on essential services and critical projects. This has resulted in a temporary reduction of 20% of its work force and the deferral of non-critical capital projects. While the City has remained focused on its financial health, it has also taken steps to provide relief to its residents and businesses. Recognizing the economic recovery will take time, the City will need to reassess its priorities to ensure it remains fiscally prudent to ensure the investment of City resources enable the return to a prosperous environment for its residents and businesses.

A handwritten signature in black ink that reads "Jim Bauer". The signature is stylized, with a large, sweeping initial "J" and "B".

Jim Bauer



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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, 2019, 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, 2019, 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 included in the City of Penticton's Financial Statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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.



Auditor's Responsibilities for the Audit of the Consolidated 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 19, 2020

The City of Penticton
 Consolidated Statement of Financial Position
 December 31, 2019

	2019	2018
Financial Assets		
Cash	\$ 6,113,656	\$ 7,623,410
Term Deposits (Note 1)	98,229,334	84,097,897
Accounts Receivable (Note 2)	10,293,510	11,216,855
	<u>114,636,500</u>	<u>102,938,162</u>
Financial Liabilities		
Accounts Payable and Accrued Liabilities	13,523,160	14,594,055
Development Cost Charges (Note 3)	17,825,761	15,657,283
Deferred Revenue	6,195,860	5,590,939
Deposits	3,509,106	4,105,303
Long Term Debt (Note 9)	30,980,819	34,373,676
	<u>72,034,706</u>	<u>74,321,256</u>
Net Financial Assets	\$ 42,601,794	\$ 28,616,906
Non-Financial Assets		
Tangible Capital Assets (Note 10)	\$319,836,475	\$322,516,179
Inventory	3,554,394	3,806,292
Prepaid Expenses	529,972	501,192
	<u>323,920,841</u>	<u>326,823,663</u>
Accumulated Surplus	<u>\$366,522,635</u>	<u>\$355,440,569</u>

See accompanying notes to the Consolidated Financial Statements.

The City of Penticton
 Consolidated Statement of Operations and Accumulated Surplus
 Year ended December 31, 2019

	2019 Budget (Note 14)	2019	2018
Revenue			
Taxation (Note 17)	\$ 33,937,395	\$ 33,975,415	\$ 32,206,019
Sales of Services	68,050,216	70,096,334	69,631,879
Government Grants and Transfers (Note 15)	2,410,315	3,863,313	2,981,154
Other Revenue	7,681,182	10,690,252	9,339,446
Other Contributions	2,432,076	2,438,716	3,448,277
Gain on Disposal	30,000	62,414	133,843
Contributed Asset	-	12,000	2,021,239
	<u>114,541,184</u>	<u>121,138,444</u>	<u>119,761,857</u>
Expenditure (Note 11)			
General Government	10,558,481	19,635,410	19,033,265
Protective Services	16,731,306	16,675,134	15,967,295
Transportation Services	5,839,571	9,868,392	10,823,613
Environmental Health Services	1,850,857	1,897,990	1,735,059
Public Health and Safety	275,000	244,253	231,941
Environmental Development Services	3,774,195	3,466,906	3,652,838
Recreation and Culture	10,973,017	12,040,690	12,127,262
Electrical Supply	33,985,196	35,680,839	37,215,864
Sewer System Utility	3,937,863	5,585,922	5,209,151
Water Utility Services	3,466,538	4,960,842	4,557,229
	<u>91,392,024</u>	<u>110,056,378</u>	<u>110,553,517</u>
Annual Surplus	23,149,160	11,082,066	9,208,340
Accumulated Surplus, Beginning of Year	<u>355,440,569</u>	<u>355,440,569</u>	<u>346,232,229</u>
Accumulated Surplus, End of Year	<u>\$ 378,589,729</u>	<u>\$ 366,522,635</u>	<u>\$ 355,440,569</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, 2019

	2019 Budget	2019	2018
Annual surplus	\$ 23,149,160	\$ 11,082,066	\$ 9,208,340
Acquisition of Tangible Capital Assets (Note 10)	(20,743,635)	(11,555,786)	(20,968,033)
Amortization (Note 10)	-	14,218,490	13,846,173
Net Disposal of Tangible Capital Assets (Note 10)	-	29,000	817,727
Contributed Tangible Capital Assets (Note 10)	-	(12,000)	(2,021,239)
Asset reclassification (Note 10)	-	-	217,783
	2,405,525	13,761,770	1,100,751
Change in Prepaid Expenses (Increase)	-	(28,780)	95,346
Consumption of Supplies Inventories	-	251,898	(170,020)
	-	223,118	(74,674)
Increase in Net Financial Assets	2,405,525	13,984,888	1,026,077
Net Financial Assets, Beginning of Year	28,616,906	28,616,906	27,590,829
Net Financial Assets, End of Year	\$ 31,022,431	\$ 42,601,794	\$ 28,616,906

See accompanying notes to the Consolidated Financial Statements.

The City of Penticton

Consolidated Statement of Cash Flows

Year ended December 31, 2019

	2019	2018
Operating Transactions		
Annual Surplus	\$ 11,082,066	\$ 9,208,340
Change in Non-Cash Operating Items		
(Increase) decrease in Accounts Receivable	923,345	132,837
Decrease in Trade Accounts Payable and Accrued Liabilities	(1,070,895)	(950,330)
Increase in Development Cost Charges	2,168,478	1,067,316
Increase in Deferred Revenues	604,921	216,373
Decrease in Deposits	(596,197)	(500,372)
(Increase) decrease in Prepaid Expenses	(28,780)	95,346
(Increase) decrease in Inventory	251,898	(170,020)
Net Disposal of Tangible Capital Assets	29,000	817,727
Amortization	14,218,490	13,846,173
Contributed Tangible Capital Assets	(12,000)	(2,021,239)
Asset reclassification	-	217,782
	<u>16,488,260</u>	<u>12,751,593</u>
Cash Provided by Operating Activities	27,570,326	21,959,933
Capital Transactions		
Cash Used to Acquire Tangible Capital Assets	(11,555,786)	(20,968,033)
Financing Transactions		
Debt Proceeds	-	1,530,000
Debt Repayment	(3,392,857)	(4,329,729)
Investing Transactions		
(Increase) decrease in Term Deposits	(14,131,437)	3,701,186
Change in Cash	(1,509,754)	1,893,357
Cash, Beginning of Year	<u>7,623,410</u>	<u>5,730,053</u>
Cash, End of Year	<u>\$ 6,113,656</u>	<u>\$ 7,623,410</u>
Supplemental Cash Flow Information	2019	2018
Interest Paid	\$ 1,806,219	\$ 2,717,396

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, 2019

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, 2019

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, 2019

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, 2019 the City has no liability for contaminated sites.

The City of Penticton
Notes to the Consolidated Financial Statements
December 31, 2019

1. Term Deposits

	Maturity Date	Effective Interest Rate (%)	2019	2018
Valley First	Feb 25, 2020	3.05	\$ 6,000,000	\$ -
Valley First	Feb 27, 2020	2.70	5,000,000	-
Valley First	Feb 27, 2020	2.70	3,000,000	-
Valley First	Aug 9, 2020	2.40	5,000,000	-
Valley First	Aug 17, 2020	2.45	6,168,541	-
Valley First	Dec 3, 2020	2.50	5,000,000	-
Valley First	Aug 9, 2021	2.45	5,000,000	-
Valley First	Dec 3, 2022	2.60	8,000,000	-
Valley First	Aug 17, 2023	3.05	5,152,500	-
Valley First	n/a	-	11,908,293	-
Canaccord	May 19, 2020	2.35	10,000,000	-
Canaccord	May 19, 2020	2.55	4,000,000	-
Canaccord	May 17, 2021	2.80	1,000,000	-
Canaccord	May 17, 2021	2.90	7,000,000	-
Canaccord	May 17, 2021	2.80	6,000,000	-
Canaccord	Aug 17, 2022	2.50	5,000,000	-
Canaccord	Aug 17, 2024	2.80	2,500,000	-
Canaccord	Aug 17, 2024	2.75	2,500,000	-
Valley First Redemptions		-	-	57,054,750
Municipal Finance Authority		-	-	27,043,147
			<u>\$ 98,229,334</u>	<u>\$ 84,097,897</u>

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2019

2. Accounts Receivable

	2019	2018
Property Taxes	\$ 1,237,588	\$ 956,826
Other Receivables	1,957,233	3,468,399
Federal Government	218,107	266,759
Provincial Government	617,235	1,117,793
Regional District Okanagan Similkameen	103	167,580
Other Government Agencies	63,927	50,131
Utility Rates Receivable	4,920,631	4,764,047
Accrued Interest Receivable	1,271,140	402,634
Cemetery Trust Fund Receivable	7,546	22,686
	<u>\$ 10,293,510</u>	<u>\$ 11,216,855</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.

	2019	2018
DCC by Type		
Roads DCC	\$ 2,028,043	\$ 1,831,008
Parks DCC	1,017,251	833,394
Drainage DCC	451,100	328,395
Waste Water DCC	9,936,906	8,632,969
Water DCC	4,392,461	4,031,517
	<u>17,825,761</u>	<u>15,657,283</u>
DCC Activity		
Balance, Beginning of Year	15,657,283	14,589,967
Return on Investments	287,495	264,877
DCCs Levied in the Year	2,082,890	1,239,738
Transfers to General Operating and Capital	(201,907)	(437,299)
	<u>\$ 17,825,761</u>	<u>\$ 15,657,283</u>

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2019

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 2019 \$357,149 (2018 - \$390,373) of Economic Incentive tax exemptions were granted. In addition, Council approved \$138,292 (2018 - \$910,736) of DCC reductions in 2019.

5. 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. Deferred Revenue is comprised of the following:

	<u>Taxes</u>	<u>Rec</u>	<u>Other</u>	<u>Total</u>
Balance at December 31, 2018	\$ 4,503,159	\$ 224,461	\$ 863,319	\$ 5,590,939
Collected	9,374,946	703,199	593,741	10,671,886
Recognized	(8,841,412)	(677,004)	(548,549)	(10,066,965)
Balance at December 31, 2019	\$ 5,036,693	\$ 250,656	\$ 908,511	\$ 6,195,860

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2019

6. 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, 2018, the Plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The City of Penticton paid \$2,170,449 (2018 - \$2,104,076) for employer contributions to the Plan in fiscal 2019.

The next valuation will be as at December 31, 2021 with results available in 2022.

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.

7. 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, 2019, the long term debt of the Regional District aggregated \$75,748,289 (2018 - \$79,084,988).

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2019

7. Contingent Liabilities continued

b. Legal Actions

As at December 31, 2019, 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.

8. 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 \$664,938 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, 2019

9. Long Term Debt

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

	2019	2018
Long Term Debt	\$ 30,980,819	\$ 34,373,676

Principal repayments relating to long term debt of \$30,980,819 outstanding are due as follows (in thousands):

	2020	2021	2022	2023	2024	Thereafter	Sinking Fund
General Fund	\$ 1,346	\$ 1,215	\$ 1,215	\$ 1,218	\$ 915	\$ 3,277	\$ 6,142
Sewer Fund	539	539	539	539	539	2,356	4,023
Water Fund	422	422	422	422	422	1,506	2,962
	<u>\$ 2,307</u>	<u>\$ 2,176</u>	<u>\$ 2,176</u>	<u>\$ 2,179</u>	<u>\$ 1,876</u>	<u>\$ 7,139</u>	<u>\$ 13,127</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 2.5%. The 2019 earnings in the Sinking Fund were calculated to be \$1,060,511 and are included in Other Revenue on the Consolidated Statement of Operations.

10. 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 \$17,461,473 of expenditures that fall within the Capital Budget. Of this amount, \$11,404,021 met the TCA capitalization policy criteria while the remaining \$6,057,452 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, 2019

10. Tangible Capital Assets continued

	Land	Building	Equipment	Sewer Infrastructure	Water Infrastructure	Electrical Infrastructure	Roads	Construction in Progress	2019 Total
COST									
Opening Balance	\$ 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
Add: Additions	-	1,851,292	2,466,157	737,132	853,496	935,875	2,105,293	2,606,539	11,555,784
Add: Trsf to/from Construction in Progress	-	590,092	-	-	-	1,232,956	-	(1,823,048)	-
Add: Contributed Assets	12,000	-	-	-	-	-	-	-	12,000
Less: Disposals	-	-	352,569	-	-	11,158	-	-	363,727
	52,393,359	169,168,973	46,231,965	55,497,401	59,911,697	81,352,932	94,054,883	2,817,632	561,428,842
ACCUMULATED AMORTIZATION									
Opening Balance	-	76,120,294	29,452,871	11,606,550	20,017,692	38,646,995	51,864,202	-	227,708,604
Add: Amortization	-	5,048,036	2,102,122	1,108,100	908,014	2,175,669	2,876,549	-	14,218,490
Less: Acc Amortization on Disposals	-	-	323,569	-	-	11,158	-	-	334,727
	-	81,168,330	31,231,424	12,714,650	20,925,706	40,811,506	54,740,751	-	241,592,367
Net Book Value for Year Ended Dec. 31, 2019	\$ 52,393,359	\$ 88,000,643	\$ 15,000,541	\$ 42,782,751	\$ 38,985,991	\$ 40,541,426	\$ 39,314,132	\$ 2,817,632	\$ 319,836,475

The City of Penticton Notes to the Consolidated Financial Statements December 31, 2019

10. 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 to Financial Assets	-	-	-	-	-	-	-	(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, 2019

11. Reporting by Object

	2019	2018
Salaries and Benefits	\$ 29,837,885	\$ 27,897,780
Goods and Services	50,910,359	51,773,399
Interest	1,806,219	2,717,396
Amortization	14,218,490	13,846,173
Other Expenses	1,911,656	2,285,572
Vehicle & Equipment Maintenance	3,844,906	5,002,150
Policing Agreement	7,526,863	7,031,047
	<u>\$ 110,056,378</u>	<u>\$ 110,553,517</u>

12. 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, 2019 there was no balance outstanding.

b. Bank Indebtedness

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

13. 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, 2019 the Debt Reserve Fund demand note requirements were \$1,830,379 (2018 - \$1,847,557). In addition, cash deposits totaling \$859,924 (2018 - \$844,411) were held by the MFA.

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2019

14. Budget

The Financial Plan (Budget) Bylaw No. 2019-10 adopted by Council on April 2, 2019 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:

	2019
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Transfer to Funds/Reserves	21,973,920
Debt Principal Repayments	2,333,054
Budgeted Capital Expenditures - General	6,960,397
Budgeted Capital Expenditures - Electric	3,693,238
Budgeted Capital Expenditures - Sewer	4,577,800
Budgeted Capital Expenditures - Water	5,512,200
Less:	
Budgeted Transfers from Surplus	21,901,449
Budget Surplus per Statement of Operations	\$ 23,149,160

15. Transfers From Other Governments

	2019	2018
Gas tax community works fund	\$ 2,984,053	\$ 1,507,824
Traffic fine revenue sharing	385,097	385,881
Okanagan Basin Water Board grants	174,654	211,504
Province of British Columbia - Carmi Reservoir	-	511,705
BC Arts Council	20,900	18,000
Library	131,916	132,218
Miscellaneous	166,693	214,022
	\$ 3,863,313	\$ 2,981,154

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2019

16. 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.

17. Taxation

	Budget	2019	2018
Municipal Taxation			
Real Property	\$ 33,431,395	\$ 33,368,337	\$ 31,575,505
Special Assessments	171,000	147,128	170,067
Grants in Lieu	335,000	459,950	460,447
Total municipal taxation	33,937,395	33,975,415	32,206,019
Collections For other Governments			
School	17,394,721	15,866,523	15,647,890
Regional District	1,639,331	2,078,370	1,940,995
Regional Hospital	2,662,296	2,625,433	2,603,331
BCAA	482,507	413,586	409,730
Total collections for other taxing authorities	22,178,855	20,983,912	20,601,946
Transfers to Other Governments	(22,178,855)	(20,988,919)	(20,595,283)
Supplemental Taxation Recovered (Remitted)	-	5,007	(6,663)
Net taxation for municipal purposes	\$ 33,937,395	\$ 33,975,415	\$ 32,206,019

18. 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, 2019

19. 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, that expired in 2019 and is currently operating on a month to month basis.

Penticton Seniors' Drop-in Centre Society

The LEASE Agreement between The City of Penticton and the Penticton Seniors' Drop-in Centre Society dated May 31, 2019, 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 2039.

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.

20. 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, 2019

20. 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 Utility

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 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.

The City of Penticton

Notes to the Consolidated Financial Statements

December 31, 2019

20. Segmented Information continued

Water Utility

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.

21. Cemetery Perpetual Trust Fund

The Cemetery Trust fund is established in accordance with the Cremation, Interment, and Funeral Services Act, to upkeep the cemetery grounds/facilities upon closure of the cemetery. As per legislation, current interest income earned on the Reserve balance may be used to offset cemetery operating and capital expenditures. Annual cemetery operating and capital expenditures are approved by Council through the annual budgeting process. The trust fund assets and liabilities are not included in the consolidated financial statements. At December 31, 2019, the balance of funds held in trust was \$1,056,150 (2018 - \$1,017,095).

22. COVID-19

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the City, its citizens, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the City's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the City is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The City's ability to continue delivering non-essential services and employ related staff, will depend on the legislative mandates from the various levels of government. The City will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

The City of Penticton Schedule of Segment Disclosure December 31, 2019

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Public Health and Safety	Environmental Development Services	Recreation and Culture	Electrical Utility	Sewer Utility	Water Utility	2019 Total
REVENUE											
Taxation	\$ 33,975,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,975,415
Sales of Services	2,582,643	1,234,345	1,754,814	2,593,063	423,325	135,027	2,597,542	43,097,201	6,464,890	9,213,484	70,096,334
Government Grants and Transfers	3,438,030	36,548	-	-	-	55,553	158,528	-	174,654	-	3,863,313
Other Revenue	9,195,223	157,563	37,525	-	-	-	1,287,568	12,373	-	-	10,690,252
Other Contributions	199,671	-	483,757	-	-	-	-	1,198,357	69,907	487,024	2,438,716
Gain (loss) on Disposal	14,264	-	48,150	-	-	-	-	-	-	-	62,414
Contributed Asset	12,000	-	-	-	-	-	-	-	-	-	12,000
	<u>49,417,246</u>	<u>1,428,456</u>	<u>2,324,246</u>	<u>2,593,063</u>	<u>423,325</u>	<u>190,580</u>	<u>4,043,638</u>	<u>44,307,931</u>	<u>6,709,451</u>	<u>9,700,508</u>	<u>121,138,444</u>
EXPENDITURE											
Salaries and Benefits	5,753,230	7,997,780	2,093,755	154,102	39,752	1,802,940	6,201,658	2,087,480	1,881,362	1,825,826	29,837,885
Goods and Services	4,291,797	970,019	3,579,516	1,739,964	201,203	951,124	4,597,872	31,160,431	1,728,056	1,690,377	50,910,359
Interest	42,980	78,625	68,114	-	-	-	763,474	-	514,500	338,526	1,806,219
Amortization	8,028,713	-	1,997,994	-	-	-	-	2,175,669	1,108,100	908,014	14,218,490
Other Expenses	1,087,452	5,546	4,546	-	-	703,551	28,457	53,500	6,203	22,401	1,911,656
Vehicle & Equipment Maintenance	431,238	96,301	2,124,467	3,924	3,298	9,291	449,229	203,759	347,701	175,698	3,844,906
Policing Agreement	-	7,526,863	-	-	-	-	-	-	-	-	7,526,863
	<u>19,635,410</u>	<u>16,675,134</u>	<u>9,868,392</u>	<u>1,897,990</u>	<u>244,253</u>	<u>3,466,906</u>	<u>12,040,690</u>	<u>35,680,839</u>	<u>5,585,922</u>	<u>4,960,842</u>	<u>110,056,378</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 29,781,836</u>	<u>\$(15,246,678)</u>	<u>\$ (7,544,146)</u>	<u>\$ 695,073</u>	<u>\$ 179,072</u>	<u>\$(3,276,326)</u>	<u>\$(7,997,052)</u>	<u>\$ 8,627,092</u>	<u>\$ 1,123,529</u>	<u>\$ 4,739,666</u>	<u>\$ 11,082,066</u>

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	5,480,065	7,756,242	2,044,532	132,471	42,422	1,807,943	5,637,748	1,939,788	1,510,690	1,545,879	27,897,780
Goods and Services	3,886,886	981,438	4,799,740	1,598,205	186,953	1,196,674	4,611,349	31,430,798	1,565,363	1,515,993	51,773,399
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	1,534,785	26,927	10,868	-	-	640,005	24,889	36,579	2,252	9,267	2,285,572
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
 General Revenue Fund
 Statement of Operations
 Year ended December 31, 2019 (unaudited)

	2019 Budget	2019	2018
Revenue			
Taxation	\$ 33,937,395	\$ 33,975,415	\$ 32,206,019
Sales of Services	15,047,470	16,010,962	16,137,073
Government Grants and Transfers	2,137,257	3,688,659	2,257,945
Transfer From Other Funds/Reserves	1,453,469	5,917,384	6,090,564
Other Revenue	7,671,912	10,677,879	9,321,265
Other Contributions	205,768	683,425	1,615,748
Sale of Assets	30,000	62,414	133,843
Collections For other Governments	22,178,855	20,983,911	20,601,945
	<u>82,662,126</u>	<u>92,000,049</u>	<u>88,364,402</u>
Expenditure			
Salaries and Benefits	23,306,946	24,660,270	23,501,703
Goods and Services	15,760,459	17,337,285	18,270,358
Interest	961,606	953,193	1,573,440
Principal Payments	1,365,859	1,365,151	1,985,239
Other Expenses	2,005,033	1,829,550	2,237,473
Vehicle & Equipment Maintenance	1,982,221	3,117,748	2,828,721
Policing Agreement	7,737,010	7,526,863	7,031,047
Transfer to Other Funds/Reserves	7,364,137	12,929,031	9,809,192
Transfers to Other Governments	22,178,855	20,988,919	20,595,283
	<u>82,662,126</u>	<u>90,708,010</u>	<u>87,832,456</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>1,292,039</u>	<u>531,946</u>
CHANGE IN FUND BALANCES	-	1,292,039	531,946
FUND BALANCES, BEGINNING OF YEAR	6,557,954	6,557,954	6,026,008
FUND BALANCES, END OF YEAR	<u>\$ 6,557,954</u>	<u>\$ 7,849,993</u>	<u>\$ 6,557,954</u>

The City of Penticton
Reserve Funds
Statement of Financial Position
Year ended December 31, 2019 (unaudited)

	2019	2018
Balance, Beginning of Year	\$ 14,595,289	\$ 14,539,200
Add		
Transfers from:		
Revenue Funds	6,088,229	5,165,260
Interest Earned	324,063	247,129
Non-Statutory Reserves	6,800,000	-
Deduct		
Transfers to:		
Capital Funds	3,520,493	5,356,300
Revenue Funds	338,222	-
	<u>\$ 23,948,866</u>	<u>\$ 14,595,289</u>
STATUTORY RESERVE FUND BALANCES		
Equipment Replacement Reserve Fund	6,112,126	4,337,362
Tax Sale Lands Reserve Fund	7,820	7,687
Capital Reserve Fund	2,272,450	2,665,542
Land Acquisition Reserve	83,326	81,909
Local Improvement	1,151,936	1,062,349
Off-Site Parking Reserve Fund	126,732	124,577
Community Works Reserve Fund	2,879,469	1,066,911
Public Amenity Reserve	118,048	75,267
Affordable Housing Reserve	216,433	171,979
Alternative Transportation Reserve	153,442	53,666
Asset Sustainability	4,244,407	2,443,294
Water Capital Reserve Fund	935,879	919,964
Sewer Capital Reserve Fund	561,888	552,333
Electric Capital Reserve Fund	5,084,910	1,032,449
	<u>23,948,866</u>	<u>14,595,289</u>
Balance, End of Year	<u>\$ 23,948,866</u>	<u>\$ 14,595,289</u>

The City of Penticton
Reserve Funds
Statement of Changes in Fund Balances
December 31, 2019 (unaudited)

	Balance, Beginning of Year	Transfer from General Revenue Fund		Interest Earned	Transfer to/from General Revenue/Capital Fund		Transfer to Sewer Capital Fund	Inter-reserve Transfers	2019 Total
Reserve									
Equipment Replacement	\$ 4,337,362	\$ 1,462,380	\$ 85,203	\$ (1,772,819)	\$ -	\$ 2,000,000			\$ 6,112,126
Tax Sale Lands	7,687	-	133	-	-	-			7,820
Capital	2,665,542	65,981	41,781	(500,854)	-	-			2,272,450
Land Acquisition	81,909	-	1,417	-	-	-			83,326
Local Improvement	1,062,349	112,897	18,171	(41,481)	-	-			1,151,936
Off-Street Parking	124,577	-	2,155	-	-	-			126,732
Community Works	1,066,911	2,984,053	33,844	(1,205,339)	-	-			2,879,469
Public Amenity	75,267	41,123	1,658	-	-	-			118,048
Affordable Housing	171,979	41,123	3,331	-	-	-			216,433
Alternative Transportation	53,666	98,000	1,776	-	-	-			153,442
Asset Sustainability	2,443,294	1,282,672	56,663	(338,222)	-	800,000			4,244,407
Water Capital	919,964	-	15,915	-	-	-			935,879
Sewer Capital	552,333	-	9,555	-	-	-			561,888
Electric Capital	1,032,449	-	52,461	-	-	4,000,000			5,084,910
	\$ 14,595,289	\$ 6,088,229	\$ 324,063	\$ (3,858,715)	\$ -	\$ 6,800,000			\$ 23,948,866

The City of Penticton
Reserves
Statement of Changes in Fund Balances
Year ended December 31, 2019 (unaudited)

	Balance, Beginning of Year	Transfers In	Transfers Out	Interest	Inter-reserve Transfers	2019 Total
Non-Statutory						
Asset Emergency	\$ 765,443	\$ 1,015,082	\$ (285,582)	\$ -	\$ 1,200,000	\$ 2,694,943
Building Permit Stabilization	45,011	-	-	-	(45,011)	-
Carbon Tax Credit Reserve	152,421	-	-	-	(152,421)	-
Cemetery Land	133,000	-	-	-	-	133,000
Climate Action	231,640	48,000	-	-	152,421	432,061
Election	-	30,000	-	-	-	30,000
Electric Surplus	19,056,284	3,329,605	-	-	(4,000,000)	18,385,889
Financial Stabilization	211,554	323,010	-	-	570,012	1,104,576
Gaming	4,767,594	1,674,525	(211,352)	-	(3,600,000)	2,630,767
General Surplus	6,557,956	1,292,039	-	-	-	7,849,995
Infrastructure	400,000	-	-	-	(400,000)	-
Investment Income	1,369,942	-	-	-	-	1,369,942
Liability Insurance	250,001	-	-	-	(250,001)	-
Marinas	608,098	49,963	(64,230)	-	-	593,831
Multi-Material BC	292,428	499,807	(246,000)	-	-	546,235
Northgate	52,000	-	(52,000)	-	-	-
Parking & Revitalization	51,765	-	-	-	-	51,765
Public Art	94,771	-	(18,000)	-	-	76,771
Rate Stabilization	200,000	-	-	-	(200,000)	-
RCMP	459,999	100,000	(16,705)	-	-	543,294
Sewer Equipment Replacement	180,268	-	-	-	-	180,268
Sewer Surplus	3,621,719	-	(2,133,152)	-	-	1,488,567
Snow Clearing Stabilization	75,000	-	-	-	(75,000)	-
Special Events Site	21,166	-	(21,166)	-	-	-
Water Surplus	6,802,114	-	(374,129)	-	-	6,427,985
West Bench Capital	1,185,185	-	-	-	-	1,185,185
West Bench Water	1,566,720	-	(78,336)	-	-	1,488,384
Wine/Info	13,150	-	(13,150)	-	-	-
	49,165,229	8,362,031	(3,513,802)	-	(6,800,000)	47,213,458
Statutory	14,595,289	6,088,229	(3,858,715)	324,063	6,800,000	23,948,866
DCC	15,657,283	2,082,890	(201,907)	287,495	-	17,825,761
	<u>\$ 79,417,801</u>	<u>\$ 16,533,150</u>	<u>\$ (7,574,424)</u>	<u>\$ 611,558</u>	<u>\$ -</u>	<u>\$ 88,988,085</u>

The City of Penticton
Sewer Revenue Fund
Statement of Operations
Year ended December 31, 2019 (unaudited)

	2019 Budget	2019	2018
Revenue			
Sales of Services	\$ 6,914,622	\$ 6,464,890	\$ 5,618,853
Government Grants and Transfers	208,058	174,654	211,504
Transfer From Other Funds/Reserves	1,000,000	1,238,157	1,252,791
	<u>8,122,680</u>	<u>7,877,701</u>	<u>7,083,148</u>
Expenditure			
Salaries and Benefits	1,653,534	1,881,362	1,510,690
Goods and Services	2,000,297	2,469,665	2,214,963
Interest	546,515	514,500	709,613
Principal Payments	545,072	545,072	575,057
Other Expenses	-	6,203	2,252
Vehicle & Equipment Maintenance	479,125	347,701	322,962
Transfer to Other Funds/Reserves	2,898,137	4,246,350	3,337,569
	<u>8,122,680</u>	<u>10,010,853</u>	<u>8,673,106</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(2,133,152)</u>	<u>(1,589,958)</u>
CHANGE IN FUND BALANCES	-	(2,133,152)	(1,589,958)
FUND BALANCES, BEGINNING OF YEAR	3,621,719	3,621,719	5,211,677
FUND BALANCES, END OF YEAR	<u>\$ 3,621,719</u>	<u>\$ 1,488,567</u>	<u>\$ 3,621,719</u>

The City of Penticton
Water Revenue Fund
Statement of Operations
Year ended December 31, 2019 (unaudited)

	2019 Budget	2019	2018
Revenue			
Sales of Services	\$ 8,822,919	\$ 9,213,484	\$ 8,862,818
Government Grants and Transfers	-	-	511,705
Transfer From Other Funds/Reserves	78,336	1,313,493	3,080,159
Other Revenue	-	-	5,945
	<u>8,901,255</u>	<u>10,526,977</u>	<u>12,460,627</u>
Expenditure			
Salaries and Benefits	1,662,381	1,825,826	1,545,878
Goods and Services	1,960,010	2,491,923	2,231,481
Interest	358,795	338,526	434,343
Principal Payments	422,123	422,123	422,123
Other Expenses	23,224	22,401	9,267
Vehicle & Equipment Maintenance	263,675	175,698	160,880
Transfer to Other Funds/Reserves	4,211,047	5,624,609	5,763,988
	<u>8,901,255</u>	<u>10,901,106</u>	<u>10,567,960</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(374,129)</u>	<u>1,892,667</u>
CHANGE IN FUND BALANCES	-	(374,129)	1,892,667
FUND BALANCES, BEGINNING OF YEAR	6,802,117	6,802,117	4,909,450
FUND BALANCES, END OF YEAR	<u>\$ 6,802,117</u>	<u>\$ 6,427,988</u>	<u>\$ 6,802,117</u>

The City of Penticton
 Electric Revenue Fund
 Statement of Operations
 Year ended December 31, 2019 (unaudited)

	2019 Budget	2019	2018
Revenue			
Sales of Services	\$ 42,083,420	\$ 43,097,201	\$ 43,690,448
Other Revenue	9,270	12,373	12,235
Transfer From Other Funds/Reserves	-	350,430	482,324
	<u>42,092,690</u>	<u>43,460,004</u>	<u>44,185,007</u>
Expenditure			
Salaries and Benefits	1,608,704	2,087,480	1,939,788
Goods and Services	33,606,451	32,684,642	33,133,633
Other Expenses	108,156	53,500	36,579
Vehicle & Equipment Maintenance	186,096	203,759	1,689,587
Transfer to Other Funds/Reserves	6,583,283	9,101,018	5,151,755
	<u>42,092,690</u>	<u>44,130,399</u>	<u>41,951,342</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(670,395)</u>	<u>2,233,665</u>
CHANGE IN FUND BALANCES	-	(670,395)	2,233,665
FUND BALANCES, BEGINNING OF YEAR	19,056,284	19,056,284	16,822,619
FUND BALANCES, END OF YEAR	<u>\$ 19,056,284</u>	<u>\$ 18,385,889</u>	<u>\$ 19,056,284</u>

The City of Penticton
 Storm Water
 Statement of Revenue and Expenditure
 Year ended December 31, 2019 (unaudited)

	2019 Budget	2019	2018
REVENUE			
Sales of Services	\$ 367,000	\$ 362,063	\$ 172,729
Government Grants and Transfers	-	-	10,000
	<u>367,000</u>	<u>362,063</u>	<u>182,729</u>
EXPENDITURE			
Salaries and Benefits	248,300	202,504	131,920
Goods and Services	122,000	148,623	136,874
Other Expenses	-	-	155
Vehicle & Equipment Maintenance	55,000	17,322	32,261
	<u>425,300</u>	<u>368,449</u>	<u>301,210</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (58,300)</u>	<u>\$ (6,386)</u>	<u>\$ (118,481)</u>

See accompanying notes to the Consolidated Financial Statements.

The City of Penticton Debt Issued and Outstanding December 31, 2019 (unaudited)

LIA B Law	S/1 B Law	Issue Date	Issue Purpose	Issue Amount	Outstanding Amount	Term (Years)	Maturity	Rate (%)	2019 Payments	
									Interest	Principal
General Fund										
9925	20005	72	12-Apr-00	RCMP Building	\$ 186,960	20	2020	1.670	\$ 47,125	\$ 82,873
9925	20046	73	07-Nov-00	RCMP Building	112,176	20	2020	2.100	31,500	49,725
2003-15	2268	81	22-Apr-04	Storm Sewer	117,250	20	2024	2.625	8,859	10,207
2004-16	859-2004	85	25-Oct-04	Parks-Land Acquisition	1,680,000	20	2024	2.000	33,600	50,807
2004-18	859/2004	85	25-Oct-04	Road Works-S. Main St.	195,000	20	2024	2.000	3,900	5,897
2004-19	859/2004	85	25-Oct-04	Road Design-Main St.	150,000	20	2024	2.000	3,000	4,536
2004-20	859/2004	85	25-Oct-04	Integrated Waterfront	550,000	20	2024	2.000	11,000	16,633
2004-21	859/2004	85	25-Oct-04	Youth Park	50,000	20	2024	2.000	1,000	1,512
2004-11	1108/2004	93	06-Apr-05	Wine Information Centre	800,000	20	2025	5.100	15,562	43,228
2004-20	1108-2004	93	06-Apr-05	Integrated Waterfront	520,000	20	2025	5.100	10,115	28,098
2004-21	614/2005	95	13-Oct-05	Youth Park	150,000	20	2025	1.800	2,700	5,514
2005-18	615/2005	95	13-Oct-05	Integrated Waterfront	825,000	20	2025	1.800	14,850	30,328
2006-15	17/17/2006	99	07-Nov-06	Road Works-Fairview/Ind	1,595,000	20	2026	1.750	27,913	53,563
2006-17	17/17/2006	99	07-Nov-06	Sportsfields	3,200,000	20	2026	1.750	56,000	107,462
2006-33	273/2007	102	02-Nov-07	Integrated Waterfront '06	173,393	20	2027	2.250	7,875	11,754
2006-76	024/2008	103	23-Apr-08	Wellness Centre	1,641,314	20	2028	2.650	79,500	100,745
2007-41	333/2008	104	20-Nov-08	Cemetery-Columbarium	2,500,000	20	2028	2.900	72,500	83,954
2007-52	333/2008	104	20-Nov-08	Indoor Soccer Facility	1,000,000	20	2028	2.900	29,000	33,582
2007-57	333/2008	104	20-Nov-08	Integrated Waterfront	547,105	20	2028	2.900	15,370	17,798
2007-60	157-2009	105	21-Apr-09	PIDA	289,965	20	2028	2.900	5,668	19,269
2007-52	638/2009	106	13-Oct-09	Indoor Soccer Facility	-	10	2019	4.900	17,140	13,936
2007-52	15/30/2010	110	08-Apr-10	Indoor Soccer Ph2	247,678	20	2029	4.130	26,370	19,679
2009-14	15/30/2010	110	08-Apr-10	Pool Upgrades	377,742	20	2030	4.500	333,000	248,505
2007-52	825/2011	116	04-Apr-11	Indoor Soccer Facility	4,770,123	20	2030	4.500	5,670	4,534
2009-43	825/2011	116	04-Apr-11	Road Wrks-Smythe Dr	93,227	20	2031	4.200	18,774	15,011
26/2018				Road Wrks-Smythe Dr	308,685	20	2031	4.200	32,222	306,000
				Downtown 300 Block Main Street	1,224,000	5		-		
					1,530,000					

The City of Penticton Debt Issued and Outstanding December 31, 2019 (unaudited)

LIA B Law	S/I B Law	Issue Date	Purpose	Issue Amount	Outstanding Amount	Term (Years)	Maturity	Rate (%)	2019 Payments	
									Interest	Principal
				32,176,844	15,327,645				910,213	1,365,150
Water Fund										
2006-07	17/07/2006	99	07-Nov-06 Naramata Rd. Upgrade	4,670,000	2,062,467	20	2026	1.750	81,725	156,827
2007-83	333/2008	104	20-Nov-08 Water Filtration Plant	4,000,000	2,188,419	20	2028	2.900	116,000	134,327
2007-83	638/2009	106	13-Oct-09 Water Filtration Plant	3,900,000	2,327,574	20	2029	4.130	161,070	130,969
				<u>12,570,000</u>	<u>6,578,460</u>				<u>358,795</u>	<u>422,123</u>
Sewer Fund										
2006-61	273/2007	102	02-Nov-07 Septage Handling Facility	1,050,000	520,177	20	2027	2.250	23,625	35,261
2008-10	333-2008	104	02-Nov-07 Sewer System Upgrade	8,000,000	4,376,838	20	2028	2.900	232,000	268,654
2007-60	157/2009	105	21-Apr-09 PIDA	73,056	-	10	2019	4.900	1,790	6,085
2008-10	638-2009	106	13-Oct-09 Sewer Plant Expansion	7,000,000	4,177,697	20	2029	4.130	289,100	235,072
				<u>16,123,056</u>	<u>9,074,712</u>				<u>546,515</u>	<u>545,072</u>
				<u>\$ 60,869,900</u>	<u>\$ 30,980,817</u>				<u>\$ 1,815,523</u>	<u>\$ 2,332,345</u>

The City of Penticton
 Cemetery Perpetual Trust Fund
 Statement of Financial Position
 Year ended December 31, 2019 (unaudited)

	2019	2018
ASSETS		
Bank Term Deposits	\$ 1,063,696	\$ 1,039,781
Less:		
Due To General Revenue Fund	7,546	22,686
	<u>\$ 1,056,150</u>	<u>\$ 1,017,095</u>
SURPLUS		
Balance, Beginning of Year	\$ 1,017,095	\$ 986,694
Add:		
Care Fund Contributions	39,037	30,324
Interest Earned	23,918	23,377
	<u>62,955</u>	<u>53,701</u>
Deduct:		
Cemetery Maintenance	23,900	23,300
Balance, End of Year	<u>\$ 1,056,150</u>	<u>\$ 1,017,095</u>