



REGIONAL DISTRICT OF NORTH OKANAGAN

AUDIT COMMITTEE

Wednesday, April 27, 2016

10:00 a.m.

RDNO Boardroom - 9848 Aberdeen Road, Coldstream, BC

REGULAR AGENDA

ELECTION OF CHAIR AND VICE-CHAIR

A. APPROVAL OF AGENDA

(Opportunity for Introduction of Late Items)

(Opportunity for Introduction of Late Items – In Camera Agenda)

1. Regional District of North Okanagan Audit Committee – April 27, 2016

RECOMMENDATION 1

That the Agenda of the April 27, 2016 regular meeting of the Regional District of North Okanagan Audit Committee be approved as presented.

B. ADOPTION OF MINUTES

1. Regional District of North Okanagan Audit Committee – April 15, 2015

RECOMMENDATION 2

Page 1

That the Minutes of the April 15, 2015 regular meeting of the Regional District of North Okanagan Audit Committee be adopted as circulated.

C. NEW BUSINESS

1. 2015 Financial Statements – Regional District of North Okanagan

- Staff to provide presentation

D. IN CAMERA

RECOMMENDATION 3

That the regular meeting of the Audit Committee convene In Camera to deal with matters deemed closed to the public in accordance with the following paragraph of Section 90(1) of the *Community Charter*:

(J) information that is prohibited, or information that if it were presented in a document would be prohibited, from disclosure under section 21 of the *Freedom of Information and Protection of Privacy Act*.

E. NEW BUSINESS

1. 2015 Financial Statements – Regional District of North Okanagan

RECOMMENDATION 4

Page 3

That the 2015 Financial Statements be approved and forwarded to the Board of the Regional District of North Okanagan for final approval.

F. ADJOURNMENT



REGIONAL DISTRICT OF NORTH OKANAGAN

MINUTES of a **REGULAR** meeting of the **AUDIT COMMITTEE** of the **REGIONAL DISTRICT OF NORTH OKANAGAN** held in the Boardroom at the Regional District Office on Wednesday, April 15, 2015.

Members:	Director R. Fairbairn Director S. Fowler Director C. Lord Director M. Macnabb	Electoral Area "D" City of Armstrong City of Vernon Electoral Area "C"	Chair
Staff:	S. Banmen D. Danallanko C. Stowards	General Manager, Finance Controller Special Projects Clerk	
Public:	M. Schrott	Auditor – BDO Canada LLP	

CALL MEETING TO ORDER

The meeting was called to order at 10:00 a.m.

APPROVAL OF AGENDA

Audit Committee – April 15, 2015

Moved and seconded by Directors Macnabb and Fowler
That the Agenda of the April 15, 2015 regular meeting of the Audit Committee be approved as presented.

CARRIED

ADOPTION OF MINUTES

Audit Committee – April 23, 2014

Moved and seconded by Directors Fowler and Macnabb
That the minutes of the April 23, 2014 regular meeting of the Audit Committee be adopted as circulated.

CARRIED

NEW BUSINESS

Final Audit Report

Moved and seconded by Directors Lord and Fowler
That the Final Audit Report dated April 15, 2015 produced by the auditors, BDO Canada LLP, in conjunction with the Regional District of North Okanagan's 2014 Financial Statements be received for information.

CARRIED

Management Letter

Moved and seconded by Directors Macnabb and Lord
That the Management Letter dated April 15, 2015 produced by the auditors, BDO Canada LLP,
in conjunction with the Regional District of North Okanagan's 2014 Financial Statements be
received for information.

CARRIED

Controller's Memo

Moved and seconded by Directors Lord and Macnabb
That the Controller's Memo dated April 15, 2015 be received for information.

CARRIED

2014 Financial Statements – Regional District of North Okanagan

Moved and seconded by Directors Lord and Fowler
That the 2014 Financial Statements be approved; and further,
That the 2014 Financial Statements be forwarded to the Board of the Regional District of North
Okanagan for information.

CARRIED

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:09 p.m.

CERTIFIED CORRECT

Chair
Rick Fairbairn

General Manager, Finance
Stephen Banmen

**REGIONAL DISTRICT OF NORTH OKANAGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CONTENTS

Management Report	1
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Change in Net Debt	5
Statement of Cash Flow	6
Notes to the Financial Statements	7 - 24
Schedule A - Long Term Debt	25
Schedule B - Tangible Capital Assets	26
Schedule C - Segment Disclosures and Expenses by Object	27 - 28

MANAGEMENT REPORT

These financial statements and accompanying schedules of the Regional District of North Okanagan are the responsibility of management and have been prepared in accordance with generally accepted accounting principles for local governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Management is responsible for implementing and maintaining a system of internal controls that are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are regularly monitored and evaluated by management.

The Audit Committee is responsible for reviewing the financial statements and recommending their approval to the Board of Directors. The Audit Committee meets periodically with management and the auditors to discuss internal controls, financial reporting issues, the audit report, and any issues that arise during the course of the audit.

These financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Regional District. The following Independent Auditor's Report describes their responsibilities, scope of examination, and opinion on the Regional District's financial statements. The external auditors have full access to the Board of Directors.

Stephen Banmen, MBA
General Manager, Finance

INDEPENDENT AUDITOR'S REPORT

To the Chair and Directors of the Regional District of North Okanagan:

We have audited the accompanying financial statements of the Regional District of North Okanagan, which comprise the statement of financial position as at December 31, 2015 and the statements of operations and accumulated surplus, change in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Regional District of North Okanagan's management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Regional District of North Okanagan as at December 31, 2015 and the results of its operations, change in net debt, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
April XX, 2016
Vernon, BC


REGIONAL DISTRICT of NORTH OKANAGAN

STATEMENT OF FINANCIAL POSITION
As at December 31
FINANCIAL ASSETS

	2015	2014
Cash and cash equivalents	\$ 3,578,805	\$ 4,707,381
Accounts receivable (Note 2)	7,506,099	10,119,425
Loan receivable (Note 3)	9,431,359	9,846,883
Accrued interest receivable	236,583	327,323
Debt recoverable from municipalities (Schedule A)	32,824,972	34,972,979
Debt reserve fund - Municipal Finance Authority (Note 4)	2,385,849	2,237,474
Portfolio investments (Note 5)	54,452,794	43,553,046
	110,416,461	105,764,511

FINANCIAL LIABILITIES

Accounts payable and accrued liabilities (Note 6)	7,363,563	8,357,034
Accrued interest payable	881,397	955,018
Debt reserve fund - Municipal Finance Authority (Note 4)	2,385,849	2,237,474
Refundable deposits (Note 7)	722,808	683,216
Deferred revenue (Note 8)	1,207,890	1,296,502
Landfill closure and post-closure obligation (Note 9)	7,013,001	7,752,165
Long term debt (Note 10, Schedule A)	98,468,016	96,657,451
Restricted revenues (Note 11)	3,602,867	8,085,545
	121,645,391	126,024,405

NET DEBT

	(11,228,930)	(20,259,894)
--	---------------------	---------------------

NON-FINANCIAL ASSETS

Tangible capital assets (Note 12, Schedule B)	189,661,021	180,853,586
Inventories	7,534	8,321
Prepaid expenses	78,412	179,796
	189,746,967	181,041,703

ACCUMULATED SURPLUS (Note 13)

	\$ 178,518,037	\$ 160,781,809
--	-----------------------	-----------------------

Contractual obligations (Note 14) and Contingent liabilities (Note 15)

 Stephen Banmen, MBA
 General Manager, Finance

**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

For the years ended December 31

	(Note 20)	2015	2014
	Budget	Actual	Actual
REVENUES (Schedule C)			
Tax revenue (Note 16)	\$ 16,129,474	\$ 16,129,378	\$ 18,076,580
Government transfers (Note 17)	362,749	566,969	26,902,029
Sale of services	26,363,448	29,165,190	27,148,457
Investment income (Note 18)	1,133,833	1,981,340	1,866,713
Developer contributions	2,692,000	3,527,332	1,005,188
Other revenue (Note 19)	3,392,190	5,795,762	4,476,724
Contributed capital assets (Note 12)	-	198,600	245,000
	<u>50,073,694</u>	<u>57,364,571</u>	<u>79,720,691</u>
EXPENSES (Schedule C)			
General government services	1,791,875	1,201,457	1,320,173
Development services	2,275,503	2,217,126	1,921,189
Parks, recreation and culture	9,030,386	10,722,485	53,489,243
Transportation and transit services	879,672	807,343	767,308
Environmental services	6,546,148	5,207,705	5,923,136
Health, social services, and housing	370,381	366,751	341,131
Sewer and septage services	548,385	522,484	516,056
Water services	17,414,392	16,460,701	15,796,986
Protective services	2,129,956	2,122,291	1,995,879
	<u>40,986,698</u>	<u>39,628,343</u>	<u>82,071,101</u>
Operating (Deficit) Surplus	9,086,996	17,736,228	(2,350,410)
Accumulated Surplus, Beginning of Year	160,781,809	160,781,809	163,132,219
Accumulated Surplus, End of Year	<u>\$ 169,868,805</u>	<u>\$ 178,518,037</u>	<u>\$ 160,781,809</u>

RDNO

REGIONAL DISTRICT of NORTH OKANAGAN

**STATEMENT OF CHANGE IN NET DEBT****For the years ended December 31**

	(Note 20)	2015	2014
	Budget	Actual	Actual
Operating (Deficit) Surplus	\$ 9,086,996	\$ 17,736,228	\$ (2,350,409)
Amortization of tangible capital assets	4,678,448	4,678,448	4,339,442
Acquisition of tangible capital assets	(22,372,363)	(14,193,246)	(41,003,599)
Loss on disposal and write-down of tangible capital assets	-	707,363	35,401,768
Net consumption of inventories and prepaids	-	102,171	30,400
(Increase) Decrease in Net Debt	(8,606,919)	9,030,964	(3,582,398)
Net Debt, Beginning of Year	(20,259,894)	(20,259,894)	(16,677,496)
Net Debt, End of Year	\$ (28,866,813)	\$ (11,228,930)	\$ (20,259,894)

DRAFT - 08 APR 2016


REGIONAL DISTRICT of NORTH OKANAGAN
**STATEMENT OF CASH FLOW**

For the years ended December 31

	2015	2014
OPERATING		
Operating (Deficit) Surplus	\$ 17,736,228	\$ (2,350,409)
Non-cash items:		
Amortization	4,678,448	4,339,442
Loss on disposal of tangible capital assets	35,412	22,133,864
Landfill closure and post-closure	(739,164)	(423,364)
Actuarial addition to sinking fund	(1,088,039)	(938,101)
Transfer of capital assets from member municipalities	-	(26,377,752)
Transfer of capital assets to member municipalities	671,951	13,267,904
Change in non-cash working capital:		
Accounts receivable	2,613,324	314,026
Prepaid expenses and inventories	102,171	30,400
Accounts payable	(993,471)	1,180,522
Loans receivable	415,524	399,542
Accrued debt interest	17,121	(26,084)
Deferred revenue	(88,613)	(76,872)
Refundable deposits and other liabilities	39,593	(27,055)
Restricted revenues	(4,482,678)	(319,217)
	18,917,807	11,126,846
CAPITAL		
Acquisition of tangible capital assets	(14,193,246)	(14,625,847)
	(14,193,246)	(14,625,847)
INVESTING		
Net portfolio investments redeemed	(10,899,748)	9,696,782
FINANCING		
Issuance of long term debt	8,230,000	-
Repayment of long term debt	(3,183,389)	(3,168,810)
	5,046,611	(3,168,810)
Increase (Decrease) in Cash and Cash Equivalents	(1,128,576)	3,028,971
Cash and Cash Equivalents, Beginning of Year	4,707,381	1,678,410
Cash and Cash Equivalents, End of Year	\$ 3,578,805	\$ 4,707,381
<u>Supplemental Cash Flow Information</u>		
Interest paid	\$ (3,221,156)	\$ (3,397,482)
Interest received	\$ 994,218	\$ 960,513

Note: investment income recognized includes an actuarial addition to the sinking fund as noted above, plus fair value adjustments to investments.



The Regional District of North Okanagan ("the Regional District") was incorporated as a regional district on November 9, 1965 under the Municipal Act (replaced by the Local Government Act) of British Columbia. The Regional District is composed of the member municipalities of the City of Armstrong, the District of Coldstream, the City of Enderby, the Village of Lumby, the Township of Spallumcheen, and the City of Vernon, and Electoral Areas B through F.

Regional districts have three basic roles: they provide a political framework and administrative framework for region-wide services and for inter-municipal or sub-regional services, and act as the local government for electoral areas. The Board of Directors is composed of appointees from each member municipality and a director elected from each electoral area. Municipal directors serve until council decides to change the appointment. Directors from electoral areas serve for a four year term. The number of directors and the number of votes each may cast is based upon the population of the municipality or electoral area.

1. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Basis of Accounting

The Regional District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and/or the creation of a legal obligation to pay.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent liabilities. Significant estimates in these financial statements include the determination of the useful lives of tangible capital assets, valuation of the landfill closure and post-closure obligation, valuation of the contaminated sites obligation, and assessment of legal claims. For common financial statement items, such as accounts payable and allowances for doubtful accounts, measurement uncertainty is inherent but not assessable. These estimates and assumptions are based on management's judgment and the best information available at the time of preparation and may differ significantly from actual results. Estimates are reviewed annually to reflect new information as it becomes available.

Segment Disclosures

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information. For each reported segment, revenues and expenses are recorded that are either directly attributable to the segment or are allocated to the segment on a reasonable, consistent basis. The accounting policies used for these segments are consistent with those followed in the preparation of the financial statements as described in Note 1. The Regional District has provided definitions of the segments in Note 21 as well as presented financial information in segmented format for the current and prior year in Schedule C.

Budget Figures

The budget figures presented are compiled from the five-year financial plan adopted by bylaw prior to March 31st each year. Certain amounts have been reallocated to conform with PSAB presentation requirements where required (see Note 20). Subsequent amendments to the budget bylaw are not reflected in the budget figures.

Contaminated Sites

Liabilities for remediation of contaminated sites are recognized when an environmental standard exists, contamination exceeds the standard, the Regional District has responsibility for remediation of the site, future economic benefits will be given up, and a reasonable estimate of the amount can be made.



1. Significant Accounting Policies (Continued)

Financial Instruments

The Regional District's financial instruments consist of cash and cash equivalents, accounts receivable, loan receivable, debt recoverable from municipalities, accounts payable and accrued liabilities, and long term debt, which are measured at cost, and portfolio investments, which are valued on an amortized cost basis. Interest is measured using the effective interest method. The carrying values of these financial instruments approximates their fair values, except where noted.

Credit Risk

Credit risk is the risk that the Regional District will incur financial losses if a debtor fails to make payments when due. The Regional District is exposed to credit risk on its loan receivable, debt recoverable from municipalities, and accounts receivable. Risk in respect of the loan receivable and debt recoverable from municipalities is managed primarily by the policies put in place by the MFA. The maximum exposure to credit risk in respect of accounts receivable is limited to the carrying amount of trade and other receivables as disclosed in Note 2, which is managed by credit policies such as limiting the amount of credit extended and obtaining security deposits where appropriate.

Liquidity Risk

Liquidity risk is the risk that the Regional District will encounter difficulty in meeting obligations associated with its accounts payable and long term debt. The Regional District manages this risk by holding a sufficient amount of funds in highly liquid investments, maintaining a credit facility with its primary banking institution, closely monitoring cash flows, and staggering the maturity dates of its investment portfolio.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate because of changes in market prices. Market risk is composed of currency risk, interest rate risk, and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the Regional District's debt servicing costs and the value of certain investments will fluctuate due to changes in interest rates. In respect of debt servicing costs, the risk is minimal as all of the Regional District's long term debt is fixed rate, and is usually refinanced every five to ten years as that is when most of the underlying debentures issued by the MFA mature. Investments subject to interest rate risk include principal protected notes and government bonds as disclosed in Note 5. The amount of risk is minimal due to the relatively small amount invested.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to changes in foreign exchange rates. The Regional District is not exposed to any currency risk, and does not hold any financial instruments in a foreign currency as at the year end.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of the Regional District's investments will fluctuate due to changes in market prices other than those arising from interest rate risk or currency risk. Investments subject to other price risk include principal protected notes and government bonds as disclosed in Note 5. The amount of risk is minimal due to the nature of the instruments and the relatively small amount invested.



1. Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Short-term investments have a maturity of 90 days or less and their carrying value approximates fair value.

Portfolio Investments

Portfolio investments include Municipal Finance Authority investment funds, chartered bank accrual notes and bonds, guaranteed investment certificates, principal protected notes, and government bonds, all with a maturity of one year or more at the date of acquisition. These investments are carried at amortized cost.

Refundable Deposits

Refundable deposits consists of the refundable portion of development permits and building permits, performance security deposits, and waterworks guarantees and securities. These deposits are recorded as a liability when received and will be refunded in the fiscal year in which the service contract expires or the performance obligations have been met. If a security deposit is drawn upon, it is recognized as revenue in the fiscal year in which the services are performed or the expenses are incurred.

Landfill Closure and Post-Closure Obligation

The estimated costs to close and monitor solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to operations as the landfill site's capacity is used. The change in liability is recorded as an operational expense. These estimates are reviewed and adjusted annually.

Employee Future Benefits

The Regional District and its employees participate in the Municipal Pension Plan, a multi-employer defined benefit pension plan. Payments to the plan are expensed when paid. The Regional District also provides accumulated sick leave as a post-employment benefit. The liability for the sick leave benefit is accrued as earned and the obligation is updated annually to reflect current wage costs.

Revenue Recognition

Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occurred, provided that reasonable estimates of the amounts can be made. Amounts received in advance of services rendered or obligations fulfilled are recorded as deferred revenue until the services have been provided or the obligation that led to the collection of funds has been discharged.

Tax Revenue

Tax revenue is the compulsory payment of financial resources to a government in a non-exchange transaction. Each municipality and electoral area within the Regional District is requisitioned for its portion of each service participated in. These funds are then levied by the municipalities and the province (on behalf of electoral areas) to individual taxpayers and provided to the Regional District by August 1 of each year. Tax revenue is recognized in the year levied, provided that the effective date of the tax has passed and the related bylaws have been approved by the Board.

Government Transfers

Government transfers are the transfer of monetary assets or tangible capital assets from senior levels of government that are not the result of an exchange transaction, not expected to be repaid in the future, and not expected to generate a financial return to the transferor.

- Transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.
- Transfers with eligibility criteria but no stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria are met.
- Transfers with or without eligibility criteria but with stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria are met, except to the extent that the transfer gives rise to an obligation.



1. Significant Accounting Policies (Continued)

Non-Financial Assets

Non-financial assets are held for use in the provision of services and are not normally available to discharge liabilities. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the net surplus (deficit) for the year, provides the change in net debt for the year.

Tangible Capital Assets

Tangible capital assets, including assets held under capital lease, are recorded at cost in the period in which they are acquired or constructed. Cost includes all amounts that are directly attributable to the acquisition, construction, development, or improvement of the asset. Costs of repairs and maintenance are charged to operations, and expenses that improve or extend the useful life of an existing asset are capitalized.

Contributed Assets

Contributed or donated assets are capitalized and recorded at their estimated fair value upon acquisition, with a corresponding entry to revenue in the period received.

Assets Under Capital Lease

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are recorded as capital leases. All others are accounted for as operating leases and charged to expense as incurred.

Assets Under Construction

Assets under construction are projects that are currently under planning, development or construction that will result in a tangible capital asset at a future date. These costs are not amortized until the asset is available and ready for productive use. Interest incurred on borrowed funds used during construction is not capitalized.

Intangible Assets

Intangible assets, such as software, right-of-ways, easements, licences of occupation, works of art, and cultural or historical assets are not recorded in these financial statements.

Amortization

Land used for the operation of solid waste landfills is amortized over the life of the landfill, and the annual amortization expense is based on the capacity used during the year. The cost of tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Land	Not amortized*
Land improvements	15 to 20 years
Buildings	20 to 50 years
Furniture and equipment	5 to 15 years
Vehicles	
Light and medium duty	7 years
Heavy duty	10 years
Fire trucks	15 years
Computer equipment	5 to 10 years
Leasehold improvements	50 years or life of lease
Infrastructure	
Water infrastructure	12 to 50 years
Septage infrastructure	30 to 50 years
Solid waste infrastructure	25 years or life of landfill

*Except land used for solid waste landfills.



1. Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

Liability for Contaminated Sites

Effective January 1, 2015, the Regional District has adopted *PS 3260 Liability for Contaminated Sites* prospectively. This standard requires that a liability be recognized when an environmental standard exists, contamination exceeds the standard, the Regional District has responsibility for remediation of the site, future economic benefits will be given up, and a reasonable estimate of the amount can be made. Management has evaluated all sites for which it accepts responsibility for remediation and has concluded that no sites have contamination in excess of an environmental standard that require remediation at this time. Therefore, no liability was recognized at January 1, 2015 or at December 31, 2015.

Related Party Disclosures

Effective January 1, 2015, the Regional District has adopted *PS 2200 Related Party Disclosures* prospectively. This standard requires disclosure of related party transactions and the underlying relationships when material transactions have occurred at a value that differs from the value that would have been agreed upon between unrelated parties. See Note 22.

Inter-entity Transactions

In March 2015, PSAB released the standard *PS 3420 Inter-entity Transactions*. This standard applies to all local governments for the fiscal years beginning on or after April 1, 2017. The new standard requires that transactions between public sector entities that comprise a government reporting entity be measured at the carrying amount, and that transfers of an asset or liability for nominal or no consideration be recognized by the provider at the carrying amount and by the recipient at the carrying amount or fair value. This standard has not yet been adopted and its effect on the financial statements has not been determined.

Assets

In June 2015, PSAB released the standard *PS 3210 Assets*. This standard applies to all local governments for fiscal years beginning on or after April 1, 2017. The new standard provides that assets meet three criteria for recognition: the asset must have future economic benefit to the entity, the entity must have control over the benefit, and the transaction or event has already occurred. In addition, the standard requires that major categories of assets that are not recognized be disclosed in the notes. This standard has not yet been adopted and its effect on the financial statements has not been determined.

Contingent Assets

In June 2015, PSAB released the standard *PS 3320 Contingent Assets*. This standard applies to all local governments for fiscal years beginning on or after April 1, 2017. The new standard requires that possible assets with uncertainty regarding the entity's control be disclosed in the notes when the occurrence of the confirming future event is likely. This standard has not yet been adopted and its effect on the financial statements has not been determined.

Contractual Rights

In June 2015, PSAB released the standard *PS 3380 Contractual Rights*. This standard applies to all local governments for fiscal years beginning on or after April 1, 2017. The new standard requires that rights to economic resources arising from contract or agreements that will result in both an asset and revenue in the future be disclosed as contractual rights in the financial statements. This standard has not yet been adopted and its effect on the financial statements has not been determined.

Restructuring Transactions

In June 2015, PSAB released the standard *PS3430 Restructuring Transactions*. This standard applies to all local governments for the fiscal years beginning on or after April 1, 2018. The new standard requires that a restructuring transaction be recorded by the transferor and the recipient at the carrying value of individual assets and liabilities transferred at the restructuring date, and that the net effect of a restructuring transaction be presented as a separate revenue or expense item. This standard has not yet been adopted and its effect on the financial statements has not been determined.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

2. Accounts Receivable

	2015	2014
Government of Canada	\$ 1,482,725	\$ 3,129,235
Province of British Columbia	37,401	42,608
Local governments	4,364,852	4,315,684
Trade and other receivables, net of allowance for doubtful accounts	1,621,121	2,631,898
	\$ 7,506,099	\$ 10,119,425

3. Loan Receivable

In April 2011, the Okanagan Regional Library ("ORL") borrowed \$11 million through the Regional District towards construction of its library facility in Vernon, BC, which was completed in May 2012. Pursuant to the loan agreement, the Regional District is reimbursed by the ORL for all principal and interest payments made to the MFA in respect of the borrowing. The repayment terms are the same as member municipalities follow when borrowing funds from the MFA through the Regional District. The loan is secured by a first charge on the library facility located at 2808 - 30th Avenue, Vernon, British Columbia. The term of the loan is 20 years and the interest rate is 4.20%. Principal is paid annually and interest is paid semi-annually.

	2015	2014
Original amount	\$ 11,000,000	\$ 11,000,000
Sinking fund	(1,568,641)	(1,153,117)
	\$ 9,431,359	\$ 9,846,883

4. Debt Reserve Fund - Municipal Finance Authority

The Regional District is required to issue its debt instruments through the Municipal Finance Authority ("MFA"). As a condition of borrowing, 1% of the gross debenture proceeds are withheld by the MFA as a debt reserve fund. The debt reserve fund is invested by the MFA and interest earned and expenses incurred are reported annually to the Regional District. If at any time the MFA does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments will be made from the debt reserve fund. Details of cash deposits held in the debt reserve fund are as follows:

<u>Debt Reserve Fund - Cash Deposits</u>	2015	2014
Regional District	\$ 1,414,962	\$ 1,297,927
Member municipalities	970,887	939,547
	\$ 2,385,849	\$ 2,237,474

The Regional District is also required to execute a demand note for each borrowing, in the amount of one-half of the average annual principal and interest due, less the amount held back for the debt reserve fund. The demand notes payable to the MFA are only callable in the event that a local government defaults on its loan obligation. As there has never been a default in the history of the MFA, it is unlikely that the demand notes will be called; therefore, the contingent liability has not been recorded in the financial statements. Details of demand notes are as follows:

<u>Demand Notes</u>	2015	2014
Regional District	\$ 2,909,128	\$ 2,753,462
Member municipalities	1,930,812	1,914,443
	\$ 4,839,940	\$ 4,667,905



5. Portfolio Investments

The Regional District's investments include redeemable and non-redeemable Guaranteed Investment Certificates and Principal Protected Notes issued by chartered banks, bonds guaranteed by Canada or a province, and pooled investment funds of the Municipal Finance Authority.

Guaranteed investment certificates earn fixed rates of interest ranging from 1.15% to 3.12% (1.60% to 3.35% in 2014) and have maturity dates ranging from February 2016 to August 2020 (February 2015 to August 2019 in 2014). Principal protected notes earn interest at rates that are based on market performance of a basket of securities, with no guaranteed rate of return.

	2015		2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Money market fund	\$ 122,487	\$ 122,487	\$ 129,747	\$ 129,747
Guaranteed investment certificates	50,305,307	50,241,328	40,963,299	40,963,299
Principal protected notes	4,025,000	4,051,054	2,460,000	2,464,627
	\$ 54,452,794	\$ 54,414,869	\$ 43,553,046	\$ 43,557,673

These investments also include performance and security deposits of \$722,808 (\$683,216 in 2014) made in accordance with specific terms of various operating contracts, and the BC Festival of the Arts statutory reserve of \$103,204 (\$101,336 in 2014), which are both held and invested in the course of normal operations.

6. Accounts Payable and Accrued Liabilities

	2015	2014
Trade payables	\$ 1,713,680	\$ 2,081,048
Wages and benefits	184,752	37,742
Banked time	75,138	67,950
Vacation	309,363	341,749
Sick leave	730,796	712,232
Holdbacks	328,600	777,330
Local governments	3,901,298	4,285,347
Province of British Columbia	75,004	6,607
Government of Canada	44,932	47,029
	\$ 7,363,563	\$ 8,357,034

Employee Future Benefits

The Regional District provides sick leave to employees that accumulates at the rate of 0.069 hours per regular hour worked, to a maximum of 1,050 hours. Sick leave can be used for paid time off for illness of the employee or a dependent, at the employee's normal pay rate. Except in the case of dismissal for just cause, employees are paid for one-half of the accumulated sick leave upon leaving employment with the Regional District. The full amount of accumulated hours at current wage rates is accrued as a liability.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

7. Refundable Deposits

Refundable deposits consists primarily of the refundable portion of development permits and building permits, performance security deposits, and waterworks guarantees and securities. In addition to refundable deposits, the Regional District holds irrevocable letters of credit and performance bonds in the aggregate amount of \$9,977,100 (\$8,483,991 in 2014) received from developers to ensure the performance of capital works to be undertaken. This amount is not reflected in the financial statements.

	2015	2014
Development and building permits	\$ 321,749	\$ 300,128
Solid waste performance security	77,373	56,508
Septage facility security	7,111	2,566
Waterworks securities and guarantees	316,575	324,014
	\$ 722,808	\$ 683,216

8. Deferred Revenue

Deferred revenue consists primarily of building inspection surcharges, various fees charged for water system capital improvements, and conditional grants received from government and non-government sources. Building inspection surcharges are refundable to the applicant if all conditions of the building permit are completed within 24 months of issuance. After this time, the surcharge is recognized as revenue. Various fees charged in respect of water system capital improvements are deferred when received and recognized as revenue when the capital works have been constructed. Conditional grants are recognized as revenue when all criteria have been met.

	2015	2014
Grants	\$ 264,000	\$ 317,506
Building inspection surcharges	64,800	78,750
Prepaid solid waste tipping fees	6,729	6,690
Prepaid dog licenses	10,241	10,889
Future capital works	856,736	882,038
Other	5,384	629
	\$ 1,207,890	\$ 1,296,502



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

9. Landfill Closure and Post-Closure Obligation

The Regional District operates seven landfills within its boundaries and is responsible for the costs of their closure and post-closure activities. The costs related to these activities are provided for over the estimated remaining life of active landfill sites based on usage.

The Regional District has three active and four closed sites. Closure activities include covering, grading and surface water management. Post-closure activities include leachate and environmental monitoring, maintenance and reporting. Post-closure activities are expected to occur for approximately 25 years.

Key variables used in estimating the value of the closure and post-closure obligation include the cost of capital, inflation rate, timing of closure and post-closure activities, and total capacity. In management's opinion, the assumptions used represent the most likely scenario. As the projections are made over a long period of time, the amount of the obligation is very sensitive to changes in the variables, and could range from approximately \$4 million to \$12 million (\$5 million to \$12 million in 2014.)

The Regional District has estimated the costs associated with these activities based on engineering studies required by the Ministry of Environment. In 2015, estimated expenses were calculated as the present value of future cash flows associated with closure and post-closure costs, discounted using the Regional District's weighted average cost of capital of 3.33% and inflated using the average total CPI inflation rate for British Columbia of 1.38% (annual average over the last 20 years). The liability recognized is the difference between total estimated expenses for the entire closure and post-closure period less any amounts spent at the end of December of the reporting year.

	Total estimated capacity (cubic meters)	Cumulative capacity used (cubic meters)	Estimated remaining life (years)	Time for post-closure care (years)	Estimated total expenses	2015 Remaining to recognize
Greater Vernon	3,489,500	968,892	18	25	\$ 14,932,745	\$ 10,786,530
Armstrong/Spall	850,000	560,319	18	25	2,844,179	969,300
Lumby	556,000	165,545	60	25	1,605,528	1,127,494
Kingfisher	22,000	22,000	0	13	23,200	-
Ashton Creek	25,000	25,000	0	7	11,601	-
Pottery Road	800,000	800,000	0	25	286,742	-
Cherryville	20,587	20,587	0	18	192,330	-
					\$ 19,896,325	\$ 12,883,324
						\$ 7,013,001

In 2014, the Regional District calculated the present value of future cash flows associated with closure and post-closure costs, discounted using the Regional District's weighted average cost of capital of 3.71% and inflated using the average total CPI inflation rate for British Columbia of 1.44% (annual average over the last 20 years).

	Total estimated capacity (cubic meters)	Cumulative capacity used (cubic meters)	Estimated remaining life (years)	Time for post-closure care (years)	Estimated total expenses	2014 Remaining to recognize
Greater Vernon	3,489,500	940,439	19	25	\$ 13,495,189	\$ 9,858,163
Armstrong/Spall	850,000	549,049	19	25	2,577,631	912,636
Lumby	556,000	163,666	61	25	1,355,505	956,494
Kingfisher	22,000	22,000	0	14	23,561	-
Ashton Creek	25,000	25,000	0	8	12,609	-
Pottery Road	800,000	800,000	0	25	1,823,591	-
Cherryville	20,587	20,587	0	19	191,372	-
					\$ 19,479,458	\$ 11,727,293
						\$ 7,752,165



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

10. Long Term Debt

The Regional District incurs long term debt directly as well as on behalf of member municipalities. Loan agreements with the MFA provide that if at any time the payments from member municipalities are not sufficient to meet their obligations in respect of such borrowings, the resulting deficiency becomes a liability of the Regional District.

All long term debt is reported net of sinking fund balances. Sinking fund instalments are invested by the MFA and earn income, which together with principal payments are expected to be sufficient to retire the debt issue at maturity. Where the MFA has determined that sufficient funds exist to retire a debt issue on its maturity date without further instalments, payments are suspended by the MFA and the Regional District's liability is reduced to nil. Should those funds prove to be insufficient at maturity, the resulting deficiency becomes a liability of the Regional District.

Debentures issued mature at various dates ranging from June 2016 to October 2039, with interest rates ranging from 2.10% to 5.10%. The weighted average interest rate on long term debt was 3.33% (3.71% in 2014), and interest expense was \$3,238,277 (\$3,371,400 in 2014).

Principal payments and sinking fund instalments due in the next five years and thereafter are as follows:

	Total Payment	Total Recoverable	Net Payment
2016	\$ 5,563,818	\$ 2,074,455	\$ 3,489,363
2017	5,426,424	2,053,875	3,372,549
2018	5,416,528	2,029,981	3,386,547
2019	5,420,212	2,029,981	3,390,231
2020	4,457,874	1,071,443	3,386,431
Thereafter	32,203,168	7,709,871	24,493,297
Total principal payments	58,488,024	16,969,606	41,518,418
Expected actuarial adjustment on sinking fund	39,979,992	15,855,366	24,124,626
Total	\$ 98,468,016	\$ 32,824,972	\$ 65,643,044

Authorized but Unissued Debt

The Regional District finances its capital projects internally until the proceeds of long term borrowing are received. The following debt has been authorized but not issued:

	2015	2014
Multi-Use Facility Expansion (Bylaw 2680, 2015)	\$ 13,250,000	\$ -
BX-Swan Lake Fire Hall (Bylaw 2640, 2014)	1,500,000	-
Community Sports Field and Athletics Facility (Bylaw 2571, 2013)	-	7,530,000
Claremont Water Utility (Bylaw 2655, 2014)	-	700,000
	\$ 14,750,000	\$ 8,230,000



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

11. Restricted RevenuesDevelopment Cost Charges

Development Cost Charges ("DCCs") are imposed for the purposes of providing funds to pay the capital costs of providing, constructing, altering, or expanding sewage, water, and drainage facilities, and providing and improving parkland to service the development for which the charge is imposed. The funds are recorded as restricted revenues when received, and are recognized as revenue when the related expenses are incurred. In accordance with the Local Government Act, these funds and any interest earned on them are deposited into a separate reserve fund for each purpose, each of which is established by bylaw.

Community Works Fund

The Federal Gas Tax Fund is provided by the Government of Canada. The Community Works Fund provides funding to local governments for eligible expenditures of eligible projects in accordance with an agreement between the Regional District and the Union of British Columbia Municipalities.

As of April 1, 2014, under the new agreement, eligible categories have been expanded and some terms and conditions have changed resulting in a change to the Regional District's accounting treatment of the Community Works Funds received.

In 2014 and earlier, payments received from the Community Works Fund were recorded as restricted revenue when received, and recognized as revenue when eligible expenses were incurred. Any interest on unspent funds was also treated as restricted revenue.

As of January 1, 2015, payments received from the Community Works Fund and any interest earned thereon are recorded as revenue when received. The balance of unspent funds in restricted revenue at January 1, 2015 was recognized as revenue during the year. See Note 13 for 2015 transactions and balance.

<u>Development Cost Charges and 5% In-lieu of Parkland</u>	2014	Contributions	Interest	Expenditures	2015
Recreation Area 1	\$ 5,064,568	\$ 932,587	\$ 71,138	\$ (3,343,661)	\$ 2,724,632
Recreation Area 2	240,016	3,500	4,457	-	247,973
Recreation Area 4	254,632	4,640	4,737	-	264,009
Greater Vernon Water	298,836	245,014	6,074	(183,671)	366,253
	5,858,052	1,185,741	86,406	(3,527,332)	3,602,867
<u>Gas Tax Fund</u>					
Community Works Fund	2,227,493	(2,227,493)	-	-	-
	\$ 8,085,545	\$ (1,041,752)	\$ 86,406	\$ (3,527,332)	\$ 3,602,867



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

12. Tangible Capital Assets

	2015	2014
Land	\$ 48,274,953	\$ 43,761,435
Land improvements	8,965,257	8,703,621
Buildings	16,947,880	13,918,541
Furniture and equipment	996,742	867,597
Vehicles	1,651,158	1,429,419
Computer equipment	273,395	243,419
Water infrastructure	106,874,338	106,253,265
Septage infrastructure	1,480,329	1,549,003
Solid waste infrastructure	4,196,969	4,127,286
Net Book Value	\$ 189,661,021	\$ 180,853,586

Assets Under Construction

Assets under construction with a cost of \$2,925,879 (\$9,148,228 in 2014) have not been amortized. Amortization will commence when these assets are put into service. No interest was capitalized during 2015 or 2014.

Contributed Tangible Capital Assets

During 2015, 3246 Enderby Mabel Lake Road was received as parkland and was recorded at its fair market value of \$198,600 as a contributed capital asset. During 2014, Falcon Point Way was received as parkland in lieu of DCCs and recorded at its fair market value of \$105,000, and Whitevale Park at 227 Whitevale Road was recorded at its fair market value of \$140,000. No capital assets were recognized at nominal value during 2015 or 2014.

Disposal of Tangible Capital Assets

In 2015, the following assets were transferred at net book value to the member municipality of the City of Vernon as a result of the Parks and Recreation restructuring agreement.

	Cost	Accumulated Amortization	Net Book Value
Land	\$ 642,245	-	642,245
Buildings	46,053	(15,815)	30,238
Government transfers paid	\$ 688,298	\$ (15,815)	\$ 672,483

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended December 31, 2015****13. Accumulated Surplus**

	2015	2014
<u>Current Fund</u>		
General government services	\$ 3,568,918	\$ 2,962,221
Development services	697,207	648,878
Parks, recreation and culture	4,583,589	(602,364)
Transportation and transit services	726,182	647,239
Environmental services	6,382,199	5,822,087
Health, social services, and housing	102,899	126,359
Sewer and septage services	859,760	747,563
Water services	15,834,814	10,503,757
Protective services	1,868,659	2,773,504
	34,624,227	23,629,244
<u>Reserve Fund</u>		
Beachfront Land Acquisition and Development	-	10,794
GVRPD Land Acquisition	5,178,359	7,429,986
GVRPD/BC Festival of the Arts Legacy Agreement	103,204	101,336
Landfill Closure/Post-Closure	(4,745,508)	(6,501,741)
North Okanagan Water Authority System Capital	6,778,178	6,655,447
North Okanagan Water Authority Fleet Depreciation	448,873	440,745
	7,763,106	8,136,567
<u>Capital Fund</u>		
General government services	1,212,453	1,251,382
Parks, recreation and culture	41,990,632	40,824,965
Transportation and transit services	20,722	28,250
Environmental services	9,703,314	9,536,312
Health, social services, and housing	23,528	-
Sewer and septage services	429,930	380,833
Water services	76,431,141	74,746,713
Protective services	3,637,616	2,247,543
	133,449,336	129,015,998
<u>Community Works Fund</u>		
Opening balance	-	-
Contributions, prior years	2,227,493	-
Contributions, 2015	794,607	-
Interest earned	44,832	-
Expenditures	(385,564)	-
	2,681,368	-
	\$ 178,518,037	\$ 160,781,809



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

14. Contractual ObligationsContracts and Leases

The Regional District leases facilities and subcontracts certain services under various long-term leases and contracts. The Regional District has entered into lease agreement for a variety of locations, with terms ranging from 5 to 40 years. Some of these lease agreements automatically renew every 5, 10, or 20 years. Several agreements were paid in advance for the entire term for a nominal amount. Future minimum rent, lease, and service payments over the next five years are as follows:

	2016	2017	2018	2019	2020
Parks, recreation and culture	\$ 2,115,400	\$ 2,067,897	\$ 2,087,619	\$ 385,249	\$ 109,330
Environmental services	1,217,340	80,730	81,730	10,650	-
Water services	4,765,950	-	-	-	-
Protective services	609,695	296,272	236,601	227,271	20,000
	<u>\$ 8,708,385</u>	<u>\$ 2,444,899</u>	<u>\$ 2,405,950</u>	<u>\$ 623,170</u>	<u>\$ 129,330</u>

There are no contractual obligations with related parties included in the amounts above.

Subsequent to year-end, the Regional District finalized its offer to purchase 167 acres of parkland, known as BX Ranchlands, for \$2.315 million.

15. Contingent LiabilitiesLegal Claims

The Regional District is the defendant in various lawsuits and the uninsured aggregate amount of these claims is approximately \$31,766 in 2015 (\$13,460 in 2014). In the opinion of management, the overall estimation of loss is not determinable. These claims have not been provided for in the financial statements. Settlement, if any, made with respect to these actions would be accounted for as a charge to expenses in the period in which the outcome of the lawsuit is known.

Municipal Insurance Association - Liability Insurance

Commencing December 31, 1987, the Regional District entered into a self-insurance program with British Columbia municipalities and regional districts. The Regional District is obliged under the program to pay a percentage of its fellow insureds' losses. The Regional District pays an annual premium, which is anticipated to be adequate to cover any losses incurred.

Municipal Pension Plan

The Regional District 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 overseeing the management of the plan, including investment of the assets and administration of benefits. The plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 70 contributors from the Regional District.

The most recent valuation as at December 31, 2012 indicated a \$1.37 billion funding deficit for basic pension benefits. The next valuation will be at December 31, 2015 with results available in 2016. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets, and cost to the individual employers participating in the plan. The Regional District paid \$458,621 for employer contributions to the plan in fiscal 2015 (\$447,470 in 2014).

Credit Facilities

The Regional District has adopted a revenue anticipation borrowing bylaw that authorizes a maximum of \$18 million in temporary borrowing. The Regional District has a credit facility in the amount of \$3 million with an interest rate equal to the Bank of Montreal's prime rate. No amounts were drawn against this credit facility during 2015 or 2014.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

16. Tax Revenue

	2015 Budget	2015 Actual	2014 Actual
Property taxes	\$ 15,613,662	\$ 15,613,661	\$ 17,580,520
Parcel taxes	515,812	515,717	496,060
	\$ 16,129,474	\$ 16,129,378	\$ 18,076,580

17. Government Transfers

	2015 Budget	2015 Actual	2014 Actual
Federal government, transfers with stipulations	\$ 50,000	\$ 52,873	\$ -
Provincial government, transfers without stipulations	127,091	258,421	154,100
Provincial government, transfers with stipulations	110,658	187,504	240,196
Grants-in-lieu of taxes from federal/provincial governments	75,000	68,171	129,981
Local governments, transfers without stipulations (Note 12)	-	-	26,377,752
	\$ 362,749	\$ 566,969	\$ 26,902,029

18. Investment Income

	2015 Budget	2015 Actual	2014 Actual
Interest earned on cash and investments	\$ 1,133,833	\$ 994,218	\$ 960,513
Actuarial adjustment earned on sinking fund	-	1,088,039	938,101
Realized gains (losses) on investments	-	16,796	18,116
Unrealized gains (losses) on investments	-	-	83,310
Accrued interest	-	(25,314)	48,905
Allocated to deposits, DCCs and Community Works Fund	-	(92,399)	(182,232)
	\$ 1,133,833	\$ 1,981,340	\$ 1,866,713

19. Other Revenue

	2015 Budget	2015 Actual	2014 Actual
Grants received from other organizations	\$ 2,337,453	\$ 4,173,786	\$ 2,928,182
MFA surplus payout from retired debenture issues	-	20,341	20,341
Insurance proceeds	-	134,387	348,297
Loan payments received (including flow-through)	937,737	992,897	994,342
Gain on disposal of capital assets	37,500	22,601	-
Miscellaneous	79,500	451,750	185,562
	\$ 3,392,190	\$ 5,795,762	\$ 4,476,724



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

20. Budget Reconciliation

The unaudited budget figures presented in these financial statements are compiled from the five-year financial plan approved by the Board of Directors in Bylaw #2676 on March 18, 2015. The Regional District's annual budget is prepared on a cash basis. In order to facilitate comparison to actual results, the budget has been presented in the financial statements on an accrual basis by making the following adjustments:

1. Grants of \$2,337,453 from non-government sources have been reclassified from Grants to Other.
2. Inter-service revenues and expenses of \$34,000 have been eliminated.
3. Principal of \$369,400 in respect of loans receivable is not revenue under PSAB and has been excluded.
4. Transfers of \$4,784,851 from accumulated surplus are not revenue under PSAB and have been excluded.
5. Transfers of \$5,803,000 from statutory reserves are not revenue under PSAB and have been excluded.
6. Proceeds of \$4,105,564 from the issuance of debt is not a revenue under PSAB and has been excluded.
7. Capital expenditures of \$22,372,363 are not an expense under PSAB and have been excluded.
8. Amortization of tangible capital assets of \$4,678,448 is an expense required by PSAB and has been added.
9. Principal and actuarial payments of \$4,271,432 are not an expense under PSAB and have been excluded.
10. Transfers of \$1,624,464 to accumulated surplus are not an expense under PSAB and have been excluded.

The following is a reconciliation of the approved budget to the budget figures used in these financial statements for presentation purposes:

	Approved Budget	Capital & Amortization	Debt Adjustments	Transfers & Other	Presented Budget
Revenues					
Tax revenue	\$ 16,129,474	\$ -	\$ -	\$ -	\$ 16,129,474
Government transfers (grants)	2,700,202	-	-	(2,337,453)	362,749
Sale of services	26,397,448	-	-	(34,000)	26,363,448
Investment income	1,133,833	-	-	-	1,133,833
Developer contributions	2,692,000	-	-	-	2,692,000
Other	1,424,137	-	(369,400)	2,337,453	3,392,190
Transfers from accum. surplus	4,784,851	-	-	(4,784,851)	-
Transfers from statutory reserve	5,803,000	-	-	(5,803,000)	-
Borrowing	4,105,564	-	(4,105,564)	-	-
	\$ 65,170,509	\$ -	\$ (4,474,964)	\$ (10,621,851)	\$ 50,073,694
Expenses					
General government services	\$ 1,783,142	\$ 8,733	\$ -	\$ -	\$ 1,791,875
Development services	2,315,005	-	-	(39,502)	2,275,503
Parks, recreation and culture	21,795,187	(9,842,661)	(2,359,710)	(562,430)	9,030,386
Transportation and transit services	872,144	7,528	-	-	879,672
Environmental services	7,874,701	(464,867)	(5,680)	(858,006)	6,546,148
Health, social services, and housing	368,571	1,810	-	-	370,381
Sewer and septage services	617,053	69,649	(118,747)	(19,570)	548,385
Water services	25,040,104	(5,477,250)	(1,749,506)	(398,956)	17,414,392
Protective services	4,504,602	(1,996,857)	(37,789)	(340,000)	2,129,956
	\$ 65,170,509	\$ (17,693,915)	\$ (4,271,432)	\$ (2,218,464)	\$ 40,986,698



21. Segment Disclosures

The Regional District is a diversified local government that functions as a partnership of the municipalities and electoral areas within its boundaries. The Regional District provides a number of specific and agreed upon services directly to the public and to its member municipalities, such as planning and development, building inspection and bylaw enforcement, parks, recreation and culture, solid waste management and recycling, water treatment, and fire protection. For management reporting purposes, individual services are grouped into the following departments:

General government services

This department is responsible for the overall direction and monitoring of regional initiatives. This includes bylaw administration, records management, legislative review and management, bylaw preparation and interpretation, elections and referenda administration, human resource management, financial services, and information services.

Development services

This department is responsible for building inspection, bylaw enforcement, and development services. Development services includes regional planning, sustainability, and zoning. The department is responsible for land use planning for all unincorporated electoral areas.

Parks, recreation and culture

This department is responsible for the management and provision of community parks, recreational programs, and cultural facilities within the Regional District.

Transportation and transit services

This department is responsible for the development of transportation infrastructure priorities through cooperation with neighbouring jurisdictions and promotion of alternative transportation methods.

Environmental services

This department is responsible for solid waste and recycling services, including regional waste management and disposal, and various communication and education programs.

Health, social services, and housing

This department is responsible for the provision of programs such as Community Services and the RCMP Victims' Assistance Program.

Sewer and septage services

This department is responsible for the operation of the wastewater facility as well as short and long term planning in order to accommodate population growth and ensure efficient and reliable service.

Water services

This department is responsible for the safe and efficient supply and distribution of water to domestic, commercial, industrial, institutional, and agricultural customers in the Regional District.

Protective services

This department protects the citizens of the Regional District through the provision of a variety of services, including 9-1-1 Emergency Telephone, Fire Dispatch, Search and Rescue, Animal Control, Emergency Management, and Fire Protection.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended December 31, 2015****22. Related Party Disclosures**

During 2015, the Regional District engaged in transactions with companies owned by key management personnel in the amount of \$9,285. These transactions occurred at fair market value. There are no contractual obligations or contingent liabilities in respect of related parties, and there are no related party transactions for which no amount has been recognized.

23. Contaminated Sites

During 2015, the Regional District evaluated all sites for which an environmental standard exists and for which it is directly responsible, and has concluded that no contamination exists that exceeds an environmental standard. Accordingly, no amount has been accrued in the financial statements as a liability for contaminated sites.

24. Comparative Figures

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

DRAFT - 08 APR 2016



REGIONAL DISTRICT OF NORTH OKANAGAN

SCHEDULE A - LONG TERM DEBT

For the year ended December 31, 2015

Purpose	Date of Issue	Term	Rate	Amount Borrowed	Sinking Fund	2015		2014	
						Balance	Interest Paid	Principal	Balance
Recreation Area No.1	1996	20	2.37%	\$ 1,000,000	\$ 939,592	\$ 60,408	\$ 23,714	\$ 23,905	\$ 117,939
Grindrod Water	1997	20	4.82%	57,000	48,495	8,505	2,747	1,724	12,456
Grindrod Water	1998	20	4.65%	131,000	102,374	28,626	6,092	3,962	37,274
GVWU	1999	20	2.10%	168,000	120,774	47,226	3,528	5,569	57,783
GVWU	1999	20	2.10%	70,450	50,646	19,804	1,479	2,335	24,231
GVWU	1999	20	3.15%	375,000	269,584	105,416	7,875	12,431	128,980
Community Theatre	2000	20	3.15%	7,050,000	4,631,334	2,418,666	148,050	233,702	2,841,740
Multi-Use Facility	2000	20	3.15%	14,250,000	9,361,206	4,888,794	299,250	472,376	5,743,943
Silver Star Water	2001	20	3.05%	165,000	97,798	67,202	5,033	4,990	76,612
Community Theatre	2001	20	3.05%	500,000	296,357	203,643	15,250	15,121	232,157
Community Theatre	2001	20	3.05%	1,000,000	592,713	407,287	30,500	30,243	464,314
Silver Star Transfer Station	2001	15	3.05%	65,000	59,036	5,964	1,982	3,012	2,668
Silver Star Fire Department	2001	20	3.05%	100,000	59,271	40,729	3,050	3,024	46,431
Community Theatre	2001	20	3.05%	470,000	278,575	191,425	14,335	14,214	218,227
Multi-Use Facility	2002	20	3.05%	200,000	107,137	92,863	6,100	6,048	103,725
Multi-Use Facility	2002	20	2.10%	135,000	72,318	62,682	2,835	4,083	70,014
Multi-Use Facility	2003	20	2.40%	165,000	79,427	85,573	3,960	4,990	94,108
Gunter-Elison Water	2004	20	2.40%	64,000	27,498	36,502	1,536	1,935	39,655
Septage Disposal Facility	2005	20	5.10%	2,000,000	874,760	1,125,240	59,879	97,716	1,222,956
GVWU	2005	20	5.10%	10,000,000	4,373,798	5,626,202	299,395	488,578	6,114,780
Lumby Fire Department	2005	20	4.17%	204,000	82,250	121,750	8,507	6,851	131,501
Septage Disposal Facility	2005	20	4.17%	440,000	177,402	262,598	18,348	14,776	283,629
GVWU	2005	20	4.17%	3,000,000	1,209,558	1,790,442	125,100	100,745	1,933,834
Recreation Area No.1	2006	10	4.66%	1,219,000	1,074,489	144,511	56,805	101,532	283,464
Recreation Area No.1	2006	20	4.43%	813,000	288,931	524,069	36,016	27,302	561,434
Lumby Fire Department	2006	20	4.43%	486,000	172,719	313,281	21,530	16,321	335,617
Whitevale Water	2006	10	4.43%	44,381	39,120	5,261	1,966	3,697	10,320
Recreation Area No.2	2007	20	4.82%	200,000	61,886	138,114	9,640	6,716	146,952
Recreation Area No.4	2008	20	4.65%	175,000	46,417	128,583	8,137	5,877	136,019
Recreation Area No.1	2008	20	4.65%	1,040,054	275,862	764,192	48,363	34,927	808,385
Recreation Area No.1	2008	10	4.65%	101,782	66,958	34,824	4,733	8,478	45,551
Silver Star Water - Vance Creek Reservoir	2009	30	4.13%	7,200,000	851,520	6,348,480	297,360	128,377	6,504,670
GVWU - Duteau Water Treatment Plant	2009	20	4.13%	18,000,000	4,009,445	13,990,555	743,400	604,472	14,725,987
Recreation Area No.1	2010	20	3.73%	5,646,946	1,027,121	4,619,825	210,631	189,634	4,841,671
GVWU	2010	20	3.73%	4,000,000	727,557	3,272,443	149,200	134,327	3,429,586
Okanagan Regional Library	2011	20	4.20%	11,000,000	1,568,641	9,431,359	462,000	369,399	9,846,883
Greater Vernon Athletics Park	2015	20	2.20%	7,530,000	-	7,530,000	82,830	-	-
GVWU - Claremont	2015	20	2.20%	700,000	-	700,000	-	-	-
				\$ 99,765,613	\$ 34,122,569	\$ 65,643,044	\$ 3,221,156	\$ 3,183,389	\$ 1,088,039
						32,824,972			61,684,472
						\$ 98,468,016			\$ 96,657,451

Debt recoverable from municipalities



REGIONAL DISTRICT OF NORTH OKANAGAN

SCHEDULE B - TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2015

	Cost			Accumulated Amortization			2015 Net Book Value	2014 Net Book Value		
	Opening Balance	Acquisitions	Closing Balance	Disposals	Opening Balance	Amortization			Disposals	Closing Balance
Capital Assets										
Land	\$ 45,075,487	\$ 5,156,369	\$ 49,589,611	\$ (642,245)	\$ (1,369,008)	\$ (37,532)	\$ -	\$ (1,406,540)	\$ 48,183,071	\$ 43,706,478
Land improvements	4,677,854	96,240	4,774,094	-	(1,909,369)	(217,560)	-	(2,126,929)	2,647,165	2,768,485
Buildings	6,460,246	20,157	6,434,349	(46,054)	(1,988,865)	(152,582)	15,034	(2,126,423)	4,307,926	4,471,381
Furniture and equipment	2,281,030	262,661	2,543,691	-	(1,426,709)	(169,938)	-	(1,596,647)	947,044	854,321
Vehicles	3,534,269	293,528	3,633,941	(193,856)	(2,104,850)	(217,317)	193,855	(2,128,312)	1,505,629	1,429,419
Computer equipment	415,480	101,824	517,304	-	(172,061)	(86,491)	-	(258,552)	258,752	243,419
Water infrastructure	139,356,436	4,027,809	143,348,833	(35,412)	(34,921,728)	(3,004,131)	-	(37,925,859)	105,422,974	104,434,708
Septage infrastructure	2,097,969	-	2,097,969	-	(548,966)	(68,674)	-	(617,640)	1,480,329	1,549,003
Solid waste infrastructure	3,367,515	1,848,679	5,216,194	-	(855,718)	(170,950)	-	(1,026,668)	4,189,526	2,511,797
Total Capital Assets	207,266,286	11,807,267	218,155,986	(917,567)	(45,297,274)	(4,125,185)	208,889	(49,213,570)	168,942,416	161,969,011
Assets Under Capital Lease										
Land	9,212	-	9,212	-	-	-	-	-	9,212	9,212
Land improvements	1,261,439	5,895,185	7,156,624	-	(646,773)	(200,015)	-	(846,788)	6,309,836	614,666
Buildings	16,383,041	2,713,142	19,096,183	-	(7,270,572)	(353,248)	1,314	(7,622,506)	11,473,677	9,112,469
Total Assets Under Capital Lease	17,653,692	8,608,327	26,262,019	-	(7,917,345)	(553,263)	1,314	(8,469,294)	17,792,725	9,736,347
Assets Under Construction										
Land	45,745	36,925	82,670	-	-	-	-	-	82,670	45,745
Land improvements	5,320,470	(5,312,215)	8,255	-	-	-	-	-	8,256	5,320,470
Buildings	334,691	831,587	1,166,278	-	-	-	-	-	1,166,277	334,691
Furniture and equipment	13,276	36,422	49,698	-	-	-	-	-	49,698	13,276
Vehicles	-	145,529	145,529	-	-	-	-	-	145,529	-
Computer equipment	-	14,643	14,643	-	-	-	-	-	14,643	-
Water infrastructure	1,818,557	(367,192)	1,451,365	-	-	-	-	-	1,451,364	1,818,557
Solid waste infrastructure	1,615,489	(1,608,047)	7,442	-	-	-	-	-	7,443	1,615,489
Total Assets Under Construction	9,148,228	(6,222,348)	2,925,880	-	-	-	-	-	2,925,880	9,148,228
Total Tangible Capital Assets	\$ 234,068,206	\$ 14,193,246	\$ 247,343,885	\$ (917,567)	\$ (53,214,619)	\$ (4,678,448)	\$ 210,203	\$ (57,682,864)	\$ 189,661,021	\$ 180,853,586



SCHEDULE C - SEGMENT DISCLOSURES AND EXPENSES BY OBJECT - CURRENT YEAR For the year ended December 31, 2015

	General government services	Development services	Parks, recreation and culture	Transportation and transit services	Environmental services	Health, social services, and housing	Sewer and septage services	Water services	Protective services	Total
Revenues										
Tax revenue	\$ 1,263,482	\$ 941,762	\$ 8,964,668	\$ 641,413	\$ 913,073	\$ 283,113	\$ 327,905	\$ 751,744	\$ 2,042,218	\$ 16,129,378
Government transfers	264,300	3,083	153,447	3,237	32,170	88,044	-	6,272	16,416	566,969
Sale of services	43,213	878,171	402,124	206,903	5,490,890	-	329,920	21,368,517	445,452	29,165,190
Investment income	149,181	14,476	919,155	57,278	138,026	1,176	20,934	635,513	45,601	1,981,340
Developer contributions	-	-	3,343,661	-	-	-	-	183,671	-	3,527,332
Other	3,112,383	148,790	724,654	-	1,130,728	2,865	5,019	197,299	474,024	5,795,762
Contributed capital assets	-	-	198,600	-	-	-	-	-	-	198,600
	4,832,559	1,986,282	14,706,309	908,831	7,704,887	375,198	683,778	23,143,016	3,023,711	57,364,571
Expenses										
Administrative overhead	133,478	305,022	143,883	36,254	309,377	12,990	32,874	1,038,564	134,433	2,146,875
Administrative recovery	(2,146,875)	-	-	-	-	-	-	-	-	(2,146,875)
Amortization	98,733	-	870,402	7,528	235,133	1,810	69,649	3,097,050	298,143	4,678,448
Board remuneration	211,421	8,061	14,025	-	-	-	-	20,097	-	253,604
Government transfers	-	257,770	2,692,921	-	-	-	-	-	-	2,950,691
Grants and assistance	61,677	-	1,653,330	22,012	464,348	15,500	-	309,394	40,200	2,566,461
Insurance	(17,566)	42,538	82,185	3,520	50,579	1,222	6,293	128,658	35,504	332,933
Interest	-	-	-	-	1,983	-	74,796	1,628,185	32,040	3,238,277
Landfill closure obligation	-	-	1,501,273	-	305,300	-	-	-	-	305,300
Loss on Disposal	-	-	-	-	-	-	-	35,412	-	35,412
Materials	32,666	4,045	84	-	2,929	-	9,681	495,717	15,553	560,675
Operations and management	192,627	206,539	383,090	1,155	1,054,563	14,693	18,900	3,224,951	139,612	5,236,130
Professional fees	44,949	130,413	36,067	-	8,649	-	-	15,016	-	235,094
Rentals and leases	25,751	6,018	-	-	2,269	-	274	2,383	-	85,413
Repairs and maintenance	273,596	-	361,168	2,776	25,334	-	59,857	437,483	100,226	1,260,440
Salaries and benefits	2,098,459	1,129,025	320,313	27,270	791,544	195,459	19,135	2,043,779	595,915	7,220,899
Subcontracts	65,404	91,908	2,426,533	676,004	1,934,122	121,815	203,579	3,235,143	556,321	9,310,829
Telephone and utilities	113,588	12,839	230,378	30,824	8,190	1,342	27,446	699,856	77,902	1,202,365
Vehicle	13,549	22,948	6,833	-	13,385	1,920	-	49,013	47,724	155,372
	1,201,457	2,217,126	10,722,485	807,343	5,207,705	366,751	522,484	16,460,701	2,122,291	39,628,343
Net surplus (deficit)	\$ 3,631,102	\$ (230,844)	\$ 3,983,824	\$ 101,488	\$ 2,497,182	\$ 8,447	\$ 161,294	\$ 6,682,315	\$ 901,420	\$ 17,736,228



SCHEDULE C - SEGMENT DISCLOSURES AND EXPENSES BY OBJECT - PRIOR YEAR For the year ended December 31, 2014

	General government services	Development services	Parks, recreation and culture	Transportation and transit services	Environmental services	Health, social services, and housing	Sewer and septage services	Water services	Protective services	Total
Revenues										
Tax revenue	\$ 1,265,174	\$ 920,128	\$ 11,102,328	\$ 629,240	\$ 810,814	\$ 266,643	\$ 327,717	\$ 753,152	\$ 2,001,384	\$ 18,076,580
Government transfers	266,845	3,497	26,441,076	4,796	35,147	86,779	-	5,759	58,130	26,902,029
Sale of services	39,919	812,658	620,726	204,387	5,297,206	-	270,288	19,763,095	140,178	27,148,457
Investment income	74,175	11,281	951,410	41,668	137,714	1,229	20,606	572,947	55,683	1,866,713
Developer contributions	-	-	593,201	-	-	-	-	411,987	-	1,005,188
Other	2,808	404,720	630,078	-	2,784,166	4,221	4,939	207,945	437,847	4,476,724
Contributed capital assets	-	-	245,000	-	-	-	-	-	-	245,000
	1,648,921	2,152,284	40,583,819	880,091	9,065,047	358,872	623,550	21,714,885	2,693,222	79,720,691
Expenses										
Administrative overhead	130,471	299,041	140,816	35,542	303,311	12,734	32,230	1,005,324	131,110	2,090,579
Administrative recovery	(2,090,579)	-	-	-	-	-	-	-	-	(2,090,579)
Amortization	85,528	-	687,655	7,528	190,949	-	69,649	3,000,227	297,905	4,339,441
Board remuneration	237,913	11,289	19,090	-	-	-	-	14,185	-	282,477
Government transfers	-	-	23,226,242	-	-	-	-	-	-	23,226,242
Grants and assistance	70,489	-	1,624,833	17,364	449,517	4,024	-	318,146	40,200	2,524,573
Insurance	(28,312)	44,458	76,701	3,258	40,579	906	6,218	118,812	20,739	283,359
Interest	-	-	1,585,587	-	1,983	-	82,004	1,668,739	33,087	3,371,400
Landfill closure obligation	-	-	-	-	896,814	-	-	-	-	896,814
Loss on write down (Note 12)	-	-	22,098,456	-	-	-	-	-	35,408	22,133,864
Materials	37,030	2,126	24,356	-	1,082	-	8,247	556,137	17,869	646,847
Operations and management	188,898	220,182	451,082	1,125	826,532	16,131	17,431	3,049,293	135,990	4,906,664
Professional fees	39,684	40,092	145,086	-	7,507	-	-	88,658	1,419	322,446
Recreation programs	-	-	4,808	-	-	-	-	-	-	4,808
Rentals and leases	29,994	2,108	3,789	-	2,783	-	455	-	43,675	82,804
Repairs and maintenance	179,961	11,567	505,775	3,261	3,066	-	64,474	250,686	93,200	1,111,990
Salaries and benefits	2,166,675	1,184,737	336,895	26,136	787,155	188,086	16,965	1,968,502	441,224	7,116,375
Subcontracts	164,753	66,354	2,109,220	635,536	2,387,110	115,026	191,067	3,037,814	573,887	9,280,767
Telephone and utilities	95,560	11,935	436,377	37,558	8,390	1,428	27,206	677,590	74,159	1,370,203
Vehicle	12,107	27,300	12,475	-	16,358	2,796	110	42,873	56,007	170,026
	1,320,172	1,921,189	53,489,243	767,308	5,923,136	341,131	516,056	15,796,986	1,995,879	82,071,100
Net surplus (deficit)	\$ 328,749	\$ 231,095	(12,905,424)	112,783	3,141,911	17,741	107,494	5,917,899	697,343	(2,350,409)