



REGIONAL  
DISTRICT  
NORTH  
OKANAGAN



**2018**

**FINANCIAL  
STATEMENTS**

**REGIONAL DISTRICT OF NORTH OKANAGAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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## **MANAGEMENT REPORT**

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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  
April 24, 2019



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## Independent Auditor's Report

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To the Directors of the Regional District of North Okanagan

### Opinion

We have audited the financial statements of Regional District of North Okanagan (the Regional District), which comprise the statement of financial position as at December 31, 2018, and the statement of operations and accumulated surplus, change in net financial assets (debt), and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2018, and its results of operations, change in net financial assets (debt), and 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 Financial Statements* section of our report. We are independent of the Regional District in accordance with the ethical requirements that are relevant to our audit of the 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.

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

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 control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Regional District'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 Regional District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional District's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Regional District'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 Regional District'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 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 Regional District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Chartered Professional Accountants

Vernon, British Columbia  
April 24, 2019



## STATEMENT OF FINANCIAL POSITION

As at December 31

2018

2017

**FINANCIAL ASSETS**

Cash	\$ 11,540,708	\$ 2,084,243
Portfolio investments (Note 2)	73,405,682	72,549,179
Accounts receivable (Note 3)	9,063,054	8,213,169
Loan receivable (Note 4)	8,082,376	8,549,784
Debt recoverable from municipalities (Schedule A)	22,988,121	26,736,414
Debt reserve fund - Municipal Finance Authority (Note 5)	2,651,326	2,576,197
	<u>127,731,267</u>	<u>120,708,986</u>

**FINANCIAL LIABILITIES**

Accounts payable and accrued liabilities (Note 6)	9,683,067	5,999,726
Deferred revenue (Note 7)	2,332,181	2,414,251
Refundable deposits (Note 8)	941,246	671,051
Temporary debt	-	2,175,000
Restricted revenues (Note 9)	8,345,981	7,178,532
Long term debt (Note 10 , Schedule A)	90,670,658	97,544,865
Debt reserve fund - Municipal Finance Authority (Note 5)	2,651,326	2,576,197
Landfill closure and post-closure obligation (Note 11)	9,078,304	8,473,416
	<u>123,702,763</u>	<u>127,033,038</u>

**NET FINANCIAL ASSETS /(DEBT)**

	<u>4,028,504</u>	<u>(6,324,052)</u>
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**NON-FINANCIAL ASSETS**

Prepaid expenses	38,518	45,561
Inventories	14,856	14,496
Tangible capital assets (Note 12 , Schedule B)	210,187,903	214,197,910
	<u>210,241,277</u>	<u>214,257,967</u>

**ACCUMULATED SURPLUS** (Note 13)

	<u>\$ 214,269,781</u>	<u>\$ 207,933,915</u>
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Contingent liabilities (Note 15)

Stephen Bajmen, MBA  
General Manager, Finance



## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31

	(Note 19)	2018	2017
	Budget	Actual	Actual
<b>REVENUE</b> (Schedule C)			
Tax revenue (Note 16)	\$ 17,825,646	\$ 17,781,607	\$ 17,380,242
Government transfers (Note 17)	7,036,342	6,884,447	4,559,877
Sale of services	30,586,892	32,088,998	32,724,752
Investment income	1,657,353	2,913,596	2,428,654
Developer contributions	124,000	454,105	19,986
Other revenue (Note 18)	2,023,387	1,288,251	1,182,512
Contributed capital assets (Note 12)	-	222,838	619,075
	<u>59,253,620</u>	<u>61,633,842</u>	<u>58,915,098</u>
<b>EXPENSES</b> (Schedule C)			
General government services	2,187,815	2,085,257	1,780,082
Development services	1,864,813	1,913,092	1,538,395
Parks, recreation and culture	9,520,250	22,018,534	10,164,071
Transportation and transit services	984,860	969,524	881,790
Environmental services	5,573,467	6,038,172	6,098,374
Health, social services, and housing	417,900	428,575	363,440
Sewer and septage services	523,591	615,809	542,392
Water services	15,587,417	18,788,535	17,416,747
Protective services	2,437,375	2,440,478	3,024,810
	<u>39,097,488</u>	<u>55,297,976</u>	<u>41,810,101</u>
Operating Surplus	20,156,132	6,335,866	17,104,997
<b>Accumulated Surplus, Beginning of Year</b>	<u>207,933,915</u>	<u>207,933,915</u>	190,828,918
<b>Accumulated Surplus, End of Year</b>	<u>\$ 228,090,047</u>	<u>\$ 214,269,781</u>	<u>\$ 207,933,915</u>


**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS / (DEBT)**
**For the years ended December 31**

	<b>(Note 19)</b>	<b>2018</b>	<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Operating Surplus</b>	\$ 20,156,132	\$ 6,335,866	\$ 17,104,997
Amortization of tangible capital assets	5,381,987	5,381,987	5,266,466
Acquisition of tangible capital assets	(32,768,842)	(12,844,301)	(25,860,449)
Developer contribution of tangible capital assts	-	(222,838)	(619,075)
Loss on disposal and write-down of tangible capital assets	-	89,920	239,877
Transfer of capital assets to member municipalities	-	11,605,239	12,150
Net consumption of inventories and prepaids	-	6,683	12,904
<b>(Increase) Decrease in Net Debt</b>	<b>(7,230,723)</b>	<b>10,352,556</b>	<b>(3,843,130)</b>
<b>Net Debt, Beginning of Year</b>	<b>(6,324,052)</b>	<b>(6,324,052)</b>	<b>(2,480,922)</b>
<b>Net Financial Assets/(Debt), End of Year</b>	<b>\$ (13,554,775)</b>	<b>\$ 4,028,504</b>	<b>\$ (6,324,052)</b>





## STATEMENT OF CASH FLOW

For the years ended December 31

2018

2017

**OPERATING**

<b>Operating Surplus</b>	<b>\$ 6,335,866</b>	<b>\$ 17,104,997</b>
Non-cash items:		
Amortization	5,381,987	5,266,466
Loss on disposal of tangible capital assets	89,920	239,877
Developer contribution of tangible capital assets	(222,838)	(619,075)
Landfill closure and post-closure	604,888	1,045,193
Actuarial addition to sinking fund	(1,485,104)	(1,316,141)
Transfer of capital assets to member municipalities	11,605,239	12,150
Change in non-cash working capital:		
Accounts receivable	(849,884)	(687,131)
Prepaid expenses and inventories	6,683	12,904
Accounts payable	3,683,341	253,527
Loans receivable	467,408	449,431
Deferred revenue	(82,070)	1,224,375
Refundable deposits and other liabilities	270,195	(57,842)
Restricted revenues	1,167,449	1,108,509
	<b>26,973,080</b>	<b>24,037,240</b>

**CAPITAL**

Acquisition of tangible capital assets	(12,844,301)	(25,860,449)
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**INVESTING**

Net portfolio investments purchased	(856,503)	(9,634,851)
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**FINANCING**

Issuance of long term debt	125,000	15,331,695
Repayment of long term debt	(3,940,811)	(3,437,176)
	(3,815,811)	11,894,519

<b>Increase in Cash</b>	<b>9,456,465</b>	<b>436,459</b>
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<b>Cash, Beginning of Year</b>	<b>2,084,243</b>	<b>1,647,784</b>
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<b>Cash, End of Year</b>	<b>\$ 11,540,708</b>	<b>\$ 2,084,243</b>
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Supplemental Cash Flow Information

Interest paid	\$ (3,246,776)	\$ (3,326,487)
Interest received	\$ 1,462,110	\$ 1,169,535



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, the City of Vernon, and Electoral Areas B through F.

Regional districts provide a political framework and administrative framework for region-wide services and sub-regional services as well as 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 20, 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 19). 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 3, 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 2. 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 2. The amount of risk is minimal due to the nature of the instruments and the relatively small amount invested.



## 1. Significant Accounting Policies (Continued)

### 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. Employees are entitled to a payout of their unused sick leave balance upon satisfaction of pre-established criteria. This District's cost of the sick leave benefits are accounted for based on the actuarial valuation. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of the employee group.

### 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 1st 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

#### 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.

## 2. Portfolio Investments

The Regional District's investments include redeemable and non-redeemable Guaranteed Investment Certificates and Principal Protected Notes issued by chartered banks and bonds guaranteed by Canada or a province.

Guaranteed investment certificates earn fixed rates of interest ranging from 1.60% to 3.37% (1.60% to 2.85% in 2017) with various maturity dates. Principal protected notes earn interest at rates that are based on market performance of a basket of securities, with no fixed rate of return. Bonds earn interest ranging from floating to 3.12%.

	<u>2018</u>		<u>2017</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Money market funds	\$ 102,830	\$ 102,830	\$ 4,865,761	\$ 4,865,761
Guaranteed investment certificates	57,918,860	57,918,860	54,687,827	54,665,134
Principal protected notes	3,712,108	3,669,299	3,705,926	3,742,353
Bonds	11,671,884	11,448,187	9,289,665	9,191,915
	<b>\$ 73,405,682</b>	<b>\$ 73,139,176</b>	<b>\$ 72,549,179</b>	<b>\$ 72,465,163</b>

These investments also include performance and security deposits of \$941,246 (\$671,051 in 2017) with specific terms of various contracts which are held and invested in the course of normal operations.

## 3. Accounts Receivable

	<u>2018</u>	<u>2017</u>
Government of Canada	\$ 290,971	\$ 437,659
Province of British Columbia	2,313,484	202,678
Local governments	4,350,766	4,463,296
Trade and other receivables, net of allowance for doubtful accounts	1,907,271	2,909,698
Accrued interest receivable	200,562	199,838
	<b>\$ 9,063,054</b>	<b>\$ 8,213,169</b>



#### 4. 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.

	<u>2018</u>	<u>2017</u>
Original amount	\$ 11,000,000	\$ 11,000,000
Sinking fund	<b>(2,917,624)</b>	<b>(2,450,216)</b>
	<b>\$ 8,082,376</b>	<b>\$ 8,549,784</b>

#### 5. Debt Reserve Fund - Municipal Finance Authority

The Regional District is required to issue its long term debt 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>	<u>2018</u>	<u>2017</u>
Regional District	\$ 1,637,832	\$ 1,584,284
Member municipalities	<b>1,013,494</b>	<b>991,913</b>
	<b>\$ 2,651,326</b>	<b>\$ 2,576,197</b>

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>	<u>2018</u>	<u>2017</u>
Regional District	\$ 3,165,730	\$ 3,119,600
Member municipalities	<b>1,896,005</b>	<b>1,896,005</b>
	<b>\$ 5,061,735</b>	<b>\$ 5,015,605</b>



## 6. Accounts Payable and Accrued Liabilities

	2018	2017
Trade payables	\$ 2,384,288	\$ 1,857,403
Wages and benefits	303,747	292,524
Banked time	73,767	71,300
Vacation	386,594	343,594
Employee Future Benefits	674,859	605,400
Holdbacks	741,403	238,067
Accrued interest payable	899,243	899,364
Local governments	3,941,823	1,505,256
Province of British Columbia	277,343	137,977
Government of Canada	-	48,841
	<b>\$ 9,683,067</b>	<b>\$ 5,999,726</b>

Employee Future Benefits

The Regional District provides post-employment benefits to employees through the payout of accumulated sick leave upon leaving the employment of the Regional District subject to specific eligibility requirements being met.

	2018	2017
Accrued Benefit Obligation, beginning of year	\$ 605,400	\$ 794,051
Adjustment from actuarial valuation	-	(229,151)
Current service cost	61,900	60,100
Interest cost	19,400	18,200
Benefits paid	(11,841)	(37,800)
Accrued Benefit Obligation, end of year	<b>\$ 674,859</b>	<b>\$ 605,400</b>

In 2017, the Regional District ratified a new staff agreement with its non-union employees. Previously, sick time was paid out upon termination of employment with no minimum vesting service requirement. The new agreement includes a provision for a minimum of five years of service before sick leave is vested. A detailed actuarial valuation for these benefits was performed for the first time to determine the Regional District's accrued benefit obligation as at December 31, 2017. A prospective change in the estimate was made based on the actuarial valuation. An update to the valuation was undertaken in 2018. The actuarial assumptions used to determine the District's accrued benefit obligation is based on a 3.2% (2017-3%) discount rate and 2.5% wage inflation.





## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

**7. 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.

	2018	2017
Building inspection surcharges	\$ 85,300	\$ 74,900
Grants	19,725	-
Prepaid recreation services	152,067	150,619
Prepaid solid waste tipping fees	7,257	8,388
Prepaid dog licenses	22,355	15,090
Future capital works	1,861,878	2,165,204
Other	183,600	50
	<b>\$ 2,332,182</b>	<b>\$ 2,414,251</b>

**8. 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 \$13,575,442 (\$19,289,288 in 2017) received from developers to ensure the performance of capital works to be undertaken. The letters of credit and performance bonds are not reflected in the financial statements.

	2018	2017
Development and building permits	\$ 381,411	\$ 339,645
Solid waste performance security	37,923	35,606
Septage facility security	12,327	7,220
Waterworks securities and guarantees	509,585	288,580
	<b>\$ 941,246</b>	<b>\$ 671,051</b>

**9. Restricted Revenues**Development Cost Charges

Development Cost Charges (DCC's) are imposed by the Regional District for the purposes of providing funds to pay the capital costs of providing, constructing, altering, or expanding water infrastructure, as well as acquiring and improving parkland. 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 interested earned on them are deposited into a separate reserve fund for each purpose, each of which is established by bylaw.

<u>Development Cost Charges and 5% In-lieu of Parkland</u>	2017	Contributions	Interest	Expenditures	2018
Greater Vernon Parks	\$ 5,135,153	\$ 756,362	\$ 110,271	\$ (434,627)	\$ 5,567,158
White Valley Parks	264,639	2,500	5,536	-	272,675
Fortune Parks	317,139	25,480	6,869	-	349,488
Greater Vernon Water	1,461,544	657,779	37,279	-	2,156,602
Silver Star Water	57	-	1	-	58
	<b>\$ 7,178,532</b>	<b>\$ 1,442,121</b>	<b>\$ 159,956</b>	<b>\$ (434,627)</b>	<b>\$ 8,345,981</b>

In accordance with Section 569 of the Local Government Act, no DCC's were waived or reduced for eligible development as defined under Section 563 of the Act.



## 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 April 2018 to October 2039, with interest rates ranging from 1.75% to 5.10%. The weighted average interest rate on long term debt was 3.11% (3.12% in 2017), and interest expense was \$3,425,931 (\$3,326,486 in 2017).

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

	Total Payment	Total Recoverable	Net Payment
2019	\$ 6,072,185	\$ 2,127,688	\$ 3,944,497
2020	5,195,440	1,169,150	4,026,290
2021	4,159,388	822,219	3,337,169
2022	4,096,700	809,734	3,286,966
2023	4,101,913	807,246	3,294,667
Thereafter	31,134,219	6,278,228	24,855,991
Total principal payments	54,759,845	12,014,265	42,745,580
Expected actuarial adjustment on sinking fund	35,910,813	10,973,855	24,936,958
Total	<b>\$ 90,670,658</b>	<b>\$ 22,988,120</b>	<b>\$ 67,682,538</b>

### Authorized but Unissued Debt

The following debt is the amount unissued at year end.

	2018	2017
Greater Vernon Multi-Purpose Cultural Facility (Bylaw 2786, 2018)	<b>\$ 25,000,000</b>	\$ -
Vernon Search and Rescue (Bylaw 2779, 2018)	<b>3,500,000</b>	-
Multi-Use Facility Expansion (Bylaw 2680, 2015)	<b>93,305</b>	93,305
	<b>\$ 28,593,305</b>	<b>\$ 93,305</b>



### 11. Landfill Closure and Post-Closure Obligation

The Regional District has three active and four closed 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.

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 30 years for open landfills and 25 years for closed landfills.

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 \$5 million to \$24 million (\$4 million to \$13 million in 2017).

The Regional District has estimated the costs associated with these activities based on engineering studies required by the Ministry of Environment. These studies were updated in 2017 and resulted in changes in the liability as a result of settling of waste, changes in fill rates and changes in regulatory requirements. Changes in the liability as a result of cumulative capacity used are recognized prospectively. In 2018, estimated expenses were calculated as the net present value (NPV) of future cash flows associated with closure and post-closure costs, discounted using the Regional District's weighted average cost of capital of 3.11% (2017 - 3.12%) and inflated using an average inflation rate of 1.61% (2017-1.49%) (annual average BC CPI over the last 20 years). The annual provision is reported as an expense and the accumulated liability is reported on the Statement of Financial Position.

	Total Estimated Capacity (m3)	Cumulative Capacity Used (m3)	Estimated Remaining Life (years)	Years for Post- closure Care	Estimated Future Closure Costs (NPV)	<b>2018 Liability for Closure</b>	Future Closure Liability
Greater Vernon	4,322,857	1,750,162	41	30	\$ 12,114,366	\$ 4,904,651	\$ 7,209,715
Armstrong/Spall	820,360	654,041	9	30	3,001,026	2,392,601	608,425
Lumby	414,313	163,034	53	30	2,566,265	1,009,837	1,556,428
Kingfisher	22,000	22,000	-	10	43,556	43,556	-
Ashton Creek	25,000	25,000	-	4	20,127	20,127	-
Pottery Road	800,000	800,000	-	22	566,346	566,346	-
Cherryville	20,587	20,587	-	15	141,186	141,186	-
					\$ 18,452,872	\$ 9,078,304	\$ 9,374,568
Less previously recognized expenses						<u>8,473,416</u>	
<b>2018 Increase in the liability for landfill closure</b>						<u>\$ 604,888</u>	

	Total Estimated Capacity (m3)	Cumulative Capacity Used (m3)	Estimated Remainin g Life (years)	Years for Post- closure Care	Estimated Future Closure Costs (NPV)	<b>2017 Liability for Closure</b>	Future Closure Liability
Greater Vernon	4,322,857	1,705,286	42	30	\$ 11,367,297	\$ 4,484,185	\$ 6,883,112
Armstrong/Spall	820,360	632,217	10	30	3,004,224	2,315,229	688,995
Lumby	414,313	159,097	54	30	2,308,079	886,307	1,421,772
Kingfisher	22,000	22,000	-	11	46,456	46,456	-
Ashton Creek	25,000	25,000	-	5	25,246	25,246	-
Pottery Road	800,000	800,000	-	23	570,359	570,359	-
Cherryville	20,587	20,587	-	16	145,634	145,634	-
					\$ 17,467,295	\$ 8,473,416	\$ 8,993,879
Less: expenses previously recognized						<u>7,428,223</u>	
<b>2017 Increase in the liability for landfill closure</b>						<u>\$ 1,045,193</u>	



## 12. Tangible Capital Assets

	2018	2017
Land	\$ 45,070,044	\$ 55,151,544
Land improvements	10,135,919	9,554,722
Buildings	29,842,915	30,005,876
Furniture and equipment	1,290,548	1,136,277
Vehicles	1,465,670	1,588,659
Computer equipment	441,683	391,232
Leasehold improvements	670,676	607,953
Water infrastructure	116,221,925	110,471,175
Septage infrastructure	1,274,308	1,342,982
Solid waste infrastructure	3,774,215	3,947,490
Net Book Value	<b>\$ 210,187,903</b>	<b>\$ 214,197,910</b>

Assets Under Construction

Assets under construction with a cost of \$9,830,680 (\$17,389,093 in 2017) have not been amortized. Amortization will commence when these assets are put into service. No interest was capitalized during 2018 or 2017.

Contributed Tangible Capital Assets

Contributed tangible capital assets of \$222,838 (2017 - \$619,075) were received from developers and recorded in the financial statements.

Disposal of Tangible Capital Assets

The following assets were transferred at net book value to the member municipalities of the City of Vernon and the District of Coldstream in 2018.

	Cost	Accumulated Amortization	Net Book Value
Land	\$ 10,216,651	\$ -	\$ 10,216,651
Land improvements	2,038,796	(1,033,103)	1,005,693
Buildings	450,325	(67,430)	382,895
Capital assets transferred to member municipalities	<b>\$ 12,705,772</b>	<b>\$ (1,100,533)</b>	<b>\$ 11,605,239</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

## 13. Accumulated Surplus

	2018	2017
<u>Current Fund</u>		
General government services	\$ 3,461,149	\$ 3,756,674
Development services	1,198,629	1,069,803
Parks, recreation and culture	5,788,944	5,446,885
Transportation and transit services	869,981	818,766
Environmental services	5,549,793	5,780,623
Health, social services, and housing	172,734	155,767
Sewer and septage services	1,365,266	1,226,039
Water services	19,674,304	17,212,992
Protective services	3,935,556	3,370,691
	<b>42,016,356</b>	<b>38,838,240</b>
<u>Reserve Fund</u>		
GVPRD Land Acquisition	1,971,590	2,009,618
GVPRD/BC Festival of the Arts Legacy Agreement	109,403	107,172
Greater Vernon Cultural Facilities	173,887	95,856
Landfill Closure/Post-Closure	(411,889)	(1,437,561)
Greater Vernon Water Capital Works	16,312,634	14,512,938
North Okanagan Water Authority Fleet Depreciation	-	466,128
	<b>18,155,625</b>	<b>15,754,151</b>
<u>Capital Fund</u>		
General government services	1,694,383	1,331,536
Parks, recreation and culture	43,404,236	51,657,136
Transportation and transit services	6,713	9,954
Environmental services	10,482,529	9,543,449
Health, social services, and housing	12,669	16,288
Sewer and septage services	599,353	539,153
Water services	92,076,179	84,233,298
Protective services	2,311,679	2,433,428
	<b>150,587,741</b>	<b>149,764,242</b>
<u>Community Works Fund</u>		
Opening balance	3,577,282	3,221,354
Contributions	861,838	829,357
Interest earned	73,024	55,407
Expenditures	(1,002,085)	(528,836)
	<b>3,510,059</b>	<b>3,577,282</b>
	<b>\$ 214,269,781</b>	<b>\$ 207,933,915</b>



#### 14. Contractual Obligations

The Regional District has entered into various agreements and contracts for services with periods ranging from one to forty years.

#### 15. Contingent Liabilities

##### Legal Claims

The Regional District is the defendant in various lawsuits. In the opinion of management, the overall estimation of loss is not determinable at this time. These claims have not been provided for in the financial statements. Settlement, if any, made with respect to these actions will be accounted for as a charge to expenses in the period in which realization is known to the extent not covered by insurance.

##### 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 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2.2 billion funding surplus for basic pension benefits on a going concern basis.

The next valuation will be at December 31, 2018 with results available in 2019. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate 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 \$550,762 for employer contributions to the plan in fiscal 2018 (\$515,953 in 2017).

##### Credit Facilities

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 2018 or 2017.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

## 16. Tax Revenue

	2018 Budget	2018 Actual	2017 Actual
Property taxes	\$ 17,351,928	\$ 17,351,928	\$ 16,870,657
Parcel taxes	473,718	429,679	509,585
	<u>\$ 17,825,646</u>	<u>\$ 17,781,607</u>	<u>\$ 17,380,242</u>

## 17. Government Transfers

	2018 Budget	2018 Actual	2017 Actual
Federal government, transfers with stipulations	\$ -	\$ 78,978	\$ 586,518
Provincial government, transfers without stipulations	180,000	180,702	181,481
Provincial government, transfers with stipulations	5,137,571	5,132,422	2,037,664
Grants-in-lieu of taxes from federal/provincial governments	67,767	123,442	85,542
Regional and other external transfers	1,651,004	1,368,903	1,668,672
	<u>\$ 7,036,342</u>	<u>\$ 6,884,447</u>	<u>\$ 4,559,877</u>

## 18. Other Revenue

	2018 Budget	2018 Actual	2017 Actual
MFA surplus payout from retired debenture issues	\$ -	\$ 7,804	\$ 29,677
Loan payments received	972,737	941,886	887,737
Miscellaneous	1,050,650	338,561	265,098
	<u>\$ 2,023,387</u>	<u>\$ 1,288,251</u>	<u>\$ 1,182,512</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

## 19. 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 2769 on March 7, 2018. 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 removing inter-service revenues, debt transactions related to borrowing, principal and actuarial adjustment, loans receivable, capital expenditures and transfers to/from surplus and reserves.

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
<u>Revenue</u>					
Tax revenue	\$ 17,825,646	\$ -	\$ -	\$ -	\$ 17,825,646
Government transfers (grants)	7,036,342	-	-	-	7,036,342
Sale of services	30,624,892	-	-	(38,000)	30,586,892
Investment income	1,657,353	-	-	-	1,657,353
Developer contributions	4,401,000	-	-	(4,277,000)	124,000
Other	2,392,787	-	(369,400)	-	2,023,387
Transfers from accum. surplus	13,734,279	-	-	(13,734,279)	-
Transfers from statutory reserve	4,923,379	-	-	(4,923,379)	-
Borrowing	125,000	-	(125,000)	-	-
	<b>\$ 82,720,678</b>	<b>\$ -</b>	<b>\$ (494,400)</b>	<b>\$ (22,972,658)</b>	<b>\$ 59,253,620</b>
<u>Expenses</u>					
General government services	\$ 3,522,515	\$ (473,700)	\$ -	\$ (861,000)	\$ 2,187,815
Development services	1,864,813	-	-	-	1,864,813
Parks, recreation and culture	22,867,673	(9,744,525)	(3,233,598)	(369,300)	9,520,250
Transportation and transit services	984,860	-	-	-	984,860
Environmental services	8,528,269	(1,395,500)	-	(1,559,302)	5,573,467
Health, social services, and housing	419,431	-	-	(1,531)	417,900
Sewer and septage services	725,093	(100,000)	(129,361)	27,859	523,591
Water services	39,183,406	(20,291,317)	(1,965,216)	(1,339,456)	15,587,417
Protective services	4,624,618	(1,788,000)	(97,741)	(301,502)	2,437,375
	<b>\$ 82,720,678</b>	<b>\$ (33,793,042)</b>	<b>\$ (5,425,916)</b>	<b>\$ (4,404,232)</b>	<b>\$ 39,097,488</b>





## 20. 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 services such as the Safe Communities program and the 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.

**21. Related Party Disclosures**

During 2018, the Regional District engaged in transactions with companies owned by related parties in the amount of \$69,517 (2017 - \$18,759). 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.

**22. Contaminated Sites**

During 2018, 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.

**23. Comparative Figures**

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



## SCHEDULE A - LONG TERM DEBT

For the year ended December 31, 2018

Purpose	Date of Issue	Term	Rate	Amount Borrowed	Sinking Fund	2018 Balance	Interest Paid	Principal	Actuarial	2017 Balance
Grindrod Water	1998	20	4.65%	\$ 131,000	\$ 131,000	\$ -	\$ 6,092	\$ 3,962	\$ 6,049	\$ 10,011
GVW Aberdeen Reservoir	1999	20	2.10%	168,000	155,398	12,602	3,528	5,569	6,487	24,658
GVW 11th Avenue Watermain	1999	20	2.10%	70,450	65,166	5,284	1,479	2,335	2,721	10,340
GVW Haddo Reservoir	1999	20	2.10%	375,000	346,871	28,129	7,875	12,431	14,479	55,039
Community Theatre	2000	20	2.10%	7,050,000	6,018,250	1,031,750	148,050	233,702	249,095	1,514,547
Multi-Use Facility	2000	20	2.10%	14,250,000	12,164,548	2,085,452	299,250	472,377	503,491	3,061,319
Silver Star Water	2001	20	1.75%	165,000	128,944	36,056	2,888	4,990	5,902	46,948
Community Theatre	2001	20	1.75%	500,000	390,740	109,260	8,750	15,121	17,887	142,268
Community Theatre	2001	20	1.75%	1,000,000	781,480	218,520	17,500	30,243	35,773	284,536
Silver Star Fire Department	2001	20	1.75%	100,000	78,148	21,852	1,750	3,024	3,578	28,454
Community Theatre	2001	20	1.75%	470,000	367,296	102,704	8,225	14,214	16,814	133,732
Multi-Use Facility	2002	20	2.25%	135,000	96,588	38,412	2,835	4,083	4,405	46,900
Multi-Use Facility	2003	20	2.85%	165,000	107,678	57,322	3,960	4,990	4,890	67,202
Multi-Use Facility	2003	20	1.75%	200,000	143,093	56,907	3,500	6,049	6,526	69,482
Gunter-Ellison Water	2004	20	2.40%	64,000	37,934	26,066	1,536	1,936	1,714	29,716
Septage Disposal Facility	2005	20	5.10%	2,000,000	1,183,113	816,887	44,348	105,383	-	922,270
GVW Master Water Plan Capital	2005	20	5.10%	10,000,000	5,915,563	4,084,437	221,743	526,915	-	4,611,352
Lumby Fire Department	2005	20	1.80%	204,000	114,487	89,513	3,672	7,499	3,618	100,630
Septage Disposal Facility	2005	20	1.80%	440,000	246,932	193,068	7,920	16,175	7,803	217,046
GVW Master Water Plan Capital	2005	20	1.80%	3,000,000	1,683,629	1,316,371	54,000	110,285	53,205	1,479,861
GV Parks Land Acquisition	2006	20	1.75%	813,000	410,234	402,766	14,228	27,302	14,728	444,796
Lumby Fire Department	2006	20	1.75%	486,000	245,232	240,768	8,505	16,320	8,804	265,893
Pat Duke Memorial Arena	2007	20	2.25%	200,000	90,579	109,421	4,500	6,717	3,225	119,363
Kingfisher School Land Acquisition	2008	20	2.65%	175,000	70,558	104,442	6,388	5,877	2,488	112,807
GV Parks Land Acquisition	2008	20	2.65%	1,040,054	419,335	620,719	37,962	34,927	14,785	670,431
GV Parks Indoor Soccer Facility	2008	10	4.65%	101,782	101,782	-	2,366	8,477	3,589	12,066
Silver Star Water - Vance Creek Reservoir	2009	30	4.13%	7,200,000	1,358,584	5,841,416	297,360	128,377	47,315	6,017,108
GVW - Duteau Water Treatment Plant	2009	20	4.13%	18,000,000	6,396,998	11,603,002	743,400	604,472	222,789	12,430,263
GV Parks Land Acquisition	2010	20	3.73%	5,646,946	1,747,334	3,899,612	210,631	189,634	59,912	4,149,158
GVW Master Water Plan Capital	2010	20	3.73%	4,000,000	1,237,717	2,762,283	149,200	134,327	42,439	2,939,047
Okanagan Regional Library	2011	20	4.20%	11,000,000	2,917,624	8,082,376	462,000	369,399	98,009	8,549,784
Greater Vernon Athletics Park	2015	20	2.20%	7,530,000	827,091	6,702,909	165,660	266,269	18,965	6,988,143
GVW - Claremont	2015	20	2.75%	700,000	76,888	623,112	19,250	24,753	1,763	649,628
BX-Swan Lake Fire Department	2016	20	2.60%	1,500,000	107,940	1,392,060	39,000	53,041	1,856	1,446,958
Multi-Use Facility Expansion	2017	20	2.80%	13,156,695	489,636	12,667,059	368,387	489,636	-	13,156,695
N. Okanagan Shuswap Rail Trail	2018	20	3.10%	2,300,000	-	2,300,000	36,225	-	-	-
				<b>\$ 114,336,927</b>	<b>\$ 46,654,390</b>	<b>67,682,537</b>	<b>\$ 3,413,963</b>	<b>\$ 3,940,811</b>	<b>\$ 1,485,104</b>	<b>70,808,451</b>
Debt recoverable from municipalities						<b>22,988,121</b>				<b>26,736,414</b>
						<b>\$ 90,670,658</b>				<b>\$ 97,544,865</b>



## SCHEDULE B - TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2018

	Cost			Closing Balance	Accumulated Amortization			Closing Balance	2018 Net Book Value	2017 Net Book Value
	Opening Balance	Acquisitions	Disposals		Opening Balance	Amortization	Disposals			
<b>Capital Assets</b>										
Land	\$ 56,622,602	\$ 46,437	\$ (10,216,651)	\$ 46,452,388	\$ (1,485,192)	\$ (41,770)	\$ -	\$ (1,526,962)	\$ 44,925,426	\$ 55,137,407
Land improvements	6,165,884	1,134,279	(2,038,796)	5,261,367	(2,604,303)	(246,023)	1,033,104	(1,817,222)	3,444,145	3,561,581
Buildings	8,494,479	13,595,212	(474,751)	21,614,940	(2,500,569)	(347,657)	67,430	(2,780,796)	18,834,144	5,993,911
Furniture and equipment	3,054,622	392,443	(15,021)	3,432,044	(1,959,568)	(197,763)	15,835	(2,141,496)	1,290,548	1,095,054
Vehicles	4,249,232	139,980	(37,450)	4,351,762	(2,660,574)	(263,232)	37,450	(2,886,356)	1,465,406	1,588,659
Computer equipment	895,904	196,764	-	1,092,668	(504,673)	(146,312)	-	(650,985)	441,683	391,232
Leasehold improvements	620,367	75,889	-	696,256	(12,414)	(13,166)	-	(25,580)	670,676	607,953
Water infrastructure	151,028,928	4,332,735	(60,062)	155,301,601	(44,149,974)	(3,150,826)	-	(47,300,800)	108,000,801	106,878,954
Septage infrastructure	2,097,969	-	-	2,097,969	(754,987)	(68,674)	-	(823,661)	1,274,308	1,342,982
Solid waste infrastructure	5,216,194	173,811	-	5,390,005	(1,442,515)	(215,197)	-	(1,657,712)	3,732,293	3,773,679
	238,446,181	20,087,550	(12,842,731)	245,691,000	(58,074,769)	(4,690,620)	1,153,819	(61,611,570)	184,079,430	180,371,412
<b>Assets Under Capital Lease</b>										
Land	9,212	-	-	9,212	-	-	-	-	9,212	9,212
Land improvements	7,242,138	7,449	(6,246)	7,243,341	(1,547,999)	(351,900)	-	(1,899,899)	5,343,442	5,694,140
Buildings	18,829,675	530,552	-	19,360,227	(8,095,622)	(339,467)	-	(8,435,089)	10,925,138	10,734,053
	26,081,025	538,001	(6,246)	26,612,780	(9,643,621)	(691,367)	-	(10,334,988)	16,277,792	16,437,405
<b>Assets Under Construction</b>										
Land	4,925	130,481	-	135,406	-	-	-	-	135,406	4,925
Land improvements	299,001	1,049,331	-	1,348,332	-	-	-	-	1,348,332	299,001
Buildings	13,277,912	(13,194,279)	-	83,633	-	-	-	-	83,633	13,277,912
Furniture and equipment	41,223	(41,223)	-	-	-	-	-	-	-	41,223
Vehicles	-	264	-	264	-	-	-	-	264	-
Water infrastructure	3,592,221	4,628,903	-	8,221,124	-	-	-	-	8,221,124	3,592,221
Solid waste infrastructure	173,811	(131,889)	-	41,922	-	-	-	-	41,922	173,811
	17,389,093	(7,558,412)	-	9,830,681	-	-	-	-	9,830,681	17,389,093
	<b>\$ 281,916,299</b>	<b>\$ 13,067,139</b>	<b>\$ (12,848,977)</b>	<b>\$ 282,134,461</b>	<b>\$ (67,718,390)</b>	<b>\$ (5,381,987)</b>	<b>\$ 1,153,819</b>	<b>\$ (71,946,558)</b>	<b>\$ 210,187,903</b>	<b>\$ 214,197,910</b>



## SCHEDULE C - SEGMENT DISCLOSURES AND EXPENSES BY OBJECT - CURRENT YEAR

For the year ended December 31, 2018

	General government services	Development services	Parks, recreation and culture	Transportation and transit services	Environmental services	Health, social services, and housing	Sewer and sewage services	Water services	Protective services	Total
<b>Revenues</b>										
Tax revenue	\$ 1,197,161	\$ 880,900	\$ 10,616,935	\$ 684,919	\$ 947,409	\$ 313,564	\$ 218,964	\$ 662,289	\$ 2,259,466	\$ 17,781,607
Government transfers	1,171,450	3,252	462,539	5,664	51,272	112,395	7,479	5,047,751	22,645	6,884,447
Sale of services	13,100	1,038,503	393,900	310,468	6,493,292	-	541,466	22,815,878	482,391	32,088,998
Investment income	146,149	23,373	1,216,131	16,448	278,322	3,376	34,503	1,102,450	92,844	2,913,596
Developer contributions	-	-	434,627	-	-	-	1,408	18,070	-	454,105
Other	96,676	550	603,398	-	1,800	12,588	120	546,870	26,249	1,288,251
Contributed capital assets	-	-	-	-	-	-	-	222,838	-	222,838
	2,624,536	1,946,578	13,727,530	1,017,499	7,772,095	441,923	803,940	30,416,146	2,883,595	61,633,842
<b>Expenses</b>										
Administrative overhead	169,032	308,836	157,635	29,369	277,411	16,217	31,207	1,046,508	151,625	2,187,840
Administrative recovery	(2,186,760)	-	-	-	-	-	-	-	-	(2,186,760)
Amortization	178,043	-	1,212,284	3,240	305,931	3,620	69,162	3,255,477	354,230	5,381,987
Board remuneration	285,547	7,195	11,332	1,419	2,079	-	-	15,330	154	323,056
Government transfers	-	-	13,203,301	-	-	-	-	-	-	13,203,301
Grants and assistance	54,433	-	1,181,882	-	-	40,462	-	-	40,200	1,316,977
Insurance	18,457	20,929	117,092	4,233	38,754	2,302	4,141	125,343	37,503	368,754
Interest	-	-	1,821,619	-	-	-	51,002	1,500,383	52,927	3,425,931
Landfill closure obligation	-	-	-	-	707,922	-	-	-	-	707,922
Loss on Disposal	-	-	29,857	-	-	-	-	60,062	-	89,919
Materials	23,771	3,063	1,120	-	2,232	712	4,945	683,941	64,280	784,064
Operations and management	175,275	46,555	349,570	1,775	990,545	23,153	53,795	4,030,784	150,827	5,822,279
Professional fees	42,158	57,059	98,450	-	18,862	190	-	66,738	-	283,457
Rentals and leases	35,630	2,200	-	-	-	-	-	-	22,778	60,608
Repairs and maintenance	941,814	95,340	365,502	4,262	3,826	-	91,420	486,481	109,680	2,098,325
Salaries and benefits	2,126,365	1,296,736	432,451	42,157	893,702	311,975	23,715	2,461,285	719,557	8,307,943
Subcontracts	107,581	41,132	2,814,621	847,582	2,776,752	25,200	258,922	4,258,696	592,850	11,723,336
Telephone and utilities	92,609	6,319	212,353	35,487	7,336	2,565	27,500	755,242	80,582	1,219,993
Vehicle	21,302	27,728	9,465	-	12,820	2,179	-	42,265	63,285	179,044
	2,085,257	1,913,092	22,018,534	969,524	6,038,172	428,575	615,809	18,788,535	2,440,478	55,297,976
<b>Net surplus (deficit)</b>	<b>\$ 539,279</b>	<b>\$ 33,486</b>	<b>\$(8,291,004)</b>	<b>\$ 47,975</b>	<b>\$ 1,733,923</b>	<b>\$ 13,348</b>	<b>\$ 188,131</b>	<b>\$ 11,627,611</b>	<b>\$ 443,117</b>	<b>\$ 6,335,866</b>



## SCHEDULE C - SEGMENT DISCLOSURES AND EXPENSES BY OBJECT - PRIOR YEAR

For the year ended December 30, 2017

	General government services	Development services	Parks, recreation and culture	Transportation and transit services	Environmental services	Health, social services, and housing	Sewer and sewage services	Water services	Protective services	Total
<b>Revenues</b>										
Tax revenue	\$ 1,144,809	\$ 880,812	\$ 10,269,957	\$ 649,002	\$ 958,831	\$ 310,358	\$ 299,029	\$ 681,585	\$ 2,185,859	\$ 17,380,242
Government transfers	1,030,666	14,740	2,515,673	3,855	34,096	86,559	4,679	868,092	1,517	4,559,877
Sale of services	12,801	804,050	449,264	335,322	6,347,452	-	432,345	22,756,655	1,586,863	32,724,752
Investment income	81,169	16,382	1,080,645	13,126	207,577	2,079	26,538	942,471	58,667	2,428,654
Developer contributions	-	-	16,950	-	-	-	-	3,036	-	19,986
Other	12,099	-	616,399	-	1,714	2,404	290	546,264	3,342	1,182,512
Contributed capital assets	-	-	95,700	-	-	-	-	523,375	-	619,075
	2,281,544	1,715,984	15,044,588	1,001,305	7,549,670	401,400	762,881	26,321,478	3,836,248	58,915,098
<b>Expenses</b>										
Administrative overhead	149,183	302,781	150,135	37,711	321,872	13,514	34,203	1,087,781	143,719	2,240,899
Administrative recovery	(2,240,899)	-	-	-	-	-	-	-	-	(2,240,899)
Amortization	152,646	-	1,111,583	3,241	287,647	3,620	69,649	3,264,807	373,272	5,266,465
Board remuneration	273,456	5,293	12,250	-	3,496	-	-	15,377	334	310,206
Government transfers	-	-	1,114,327	-	-	-	-	-	-	1,114,327
Grants and assistance	45,061	-	1,179,775	-	5,800	35,602	-	-	40,200	1,306,438
Insurance	22,106	19,000	126,368	4,571	41,018	2,635	4,394	124,625	37,381	382,098
Interest	-	-	1,686,178	-	-	-	56,341	1,531,040	52,927	3,326,486
Landfill closure obligation	-	-	-	-	1,107,291	-	-	-	-	1,107,291
Loss on write down (Note 12)	-	-	70,352	-	-	-	-	169,525	-	239,877
Materials	31,103	4,809	4,737	-	4,401	1,095	9,180	679,944	63,136	798,405
Operations and management	172,000	24,583	293,665	3,961	965,014	11,329	31,898	3,716,189	263,605	5,482,244
Professional fees	33,791	22,199	201,820	-	10,416	370	-	27,863	-	296,459
Rentals and leases	27,040	2,200	-	-	1,924	-	-	-	23,438	54,602
Repairs and maintenance	563,322	-	233,638	2,886	475	-	45,684	336,622	146,189	1,328,816
Salaries and benefits	2,325,894	1,101,474	145,192	28,080	805,275	264,216	19,565	1,992,774	1,173,483	7,855,953
Subcontracts	100,550	24,456	3,518,677	763,390	2,523,017	25,209	238,012	3,649,587	553,898	11,396,796
Telephone and utilities	107,984	6,995	308,659	37,950	7,688	2,737	33,466	775,050	79,787	1,360,316
Vehicle	16,845	24,605	6,715	-	13,040	3,113	-	45,563	73,441	183,322
	1,780,082	1,538,395	10,164,071	881,790	6,098,374	363,440	542,392	17,416,747	3,024,810	41,810,101
<b>Net surplus (deficit)</b>	<b>\$ 501,462</b>	<b>\$ 177,589</b>	<b>\$ 4,880,517</b>	<b>\$ 119,515</b>	<b>\$ 1,451,296</b>	<b>\$ 37,960</b>	<b>\$ 220,489</b>	<b>\$ 8,904,731</b>	<b>\$ 811,438</b>	<b>\$ 17,104,997</b>