

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

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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.



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Stephen Banmen, MBA  
General Manager, Finance

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## Independent Auditor's Report

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### 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 statement of operations and accumulated surplus, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility 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 the 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 the audit to obtain reasonable assurance whether the financial statements are free of 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating 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, changes in its net debt, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Vernon, British Columbia  
April 27, 2016



**STATEMENT OF FINANCIAL POSITION**

| As at December 31  | 2015                  | 2014                  |
|--|-----------------------|-----------------------|
| <b>FINANCIAL ASSETS</b>                                  |                       |                       |
| 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            |
|  | <b>110,416,461</b>    | <b>105,764,511</b>    |
| <b>FINANCIAL LIABILITIES</b>                             |                       |                       |
| 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             |
|  | <b>121,645,391</b>    | <b>126,024,405</b>    |
| <b>NET DEBT</b>  | <b>(11,228,930)</b>   | <b>(20,259,894)</b>   |
| <b>NON-FINANCIAL ASSETS</b>                              |                       |                       |
| Tangible capital assets (Note 12, Schedule B)            | 189,661,021           | 180,853,586           |
| Inventories  | 7,534                 | 8,321                 |
| Prepaid expenses   | 78,412                | 179,796               |
|  | <b>189,746,967</b>    | <b>181,041,703</b>    |
| <b>ACCUMULATED SURPLUS (Note 13)</b>                     | <b>\$ 178,518,037</b> | <b>\$ 160,781,809</b> |

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



## STATEMENT OF CHANGE IN NET DEBT

| For the years ended December 31                            | (Note 20)       | 2015                   | 2014            |
|--|-----------------|------------------------|-----------------|
|  | Budget          | Actual                 | Actual          |
| <b>Operating (Deficit) Surplus</b>                         | \$ 9,086,996    | <b>\$ 17,736,228</b>   | \$ (2,350,410)  |
| Amortization of tangible capital assets                    | 4,678,448       | <b>4,678,448</b>       | 4,339,442       |
| Acquisition of tangible capital assets                     | (22,372,363)    | <b>(14,193,246)</b>    | (41,003,599)    |
| Loss on disposal and write-down of tangible capital assets | -               | <b>707,363</b>         | 35,401,768      |
| Net consumption of inventories and prepaids                | -               | <b>102,171</b>         | 30,400          |
| <b>(Increase) Decrease in Net Debt</b>                     | (8,606,919)     | <b>9,030,964</b>       | (3,582,399)     |
| Net Debt, Beginning of Year                                | (20,259,894)    | <b>(20,259,894)</b>    | (16,677,495)    |
| Net Debt, End of Year                                      | \$ (28,866,813) | <b>\$ (11,228,930)</b> | \$ (20,259,894) |



**STATEMENT OF CASH FLOW**

For the years ended December 31

|   | 2015                  | 2014                  |
|---|-----------------------|-----------------------|
| <b>OPERATING</b>  |                       |                       |
| <b>Operating (Deficit) Surplus</b>                      | <b>\$ 17,736,228</b>  | <b>\$ (2,350,410)</b> |
| 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             | 314,027               |
| 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)             |
|   | <b>18,917,807</b>     | <b>11,126,846</b>     |
| <b>CAPITAL</b>  |                       |                       |
| Acquisition of tangible capital assets                  | <b>(14,193,246)</b>   | <b>(14,625,847)</b>   |
|   | <b>(14,193,246)</b>   | <b>(14,625,847)</b>   |
| <b>INVESTING</b>  |                       |                       |
| Net portfolio investments redeemed                      | <b>(10,899,748)</b>   | 9,696,782             |
| <b>FINANCING</b>  |                       |                       |
| Issuance of long term debt                              | 8,230,000             | -                     |
| Repayment of long term debt                             | (3,183,389)           | (3,168,810)           |
|   | <b>5,046,611</b>      | <b>(3,168,810)</b>    |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b> | <b>(1,128,576)</b>    | <b>3,028,971</b>      |
| Cash and Cash Equivalents, Beginning of Year            | <b>4,707,381</b>      | <b>1,678,410</b>      |
| Cash and Cash Equivalents, End of Year                  | <b>\$ 3,578,805</b>   | <b>\$ 4,707,381</b>   |
| <b>Supplemental Cash Flow Information</b>               |                       |                       |
| Interest paid   | <b>\$ (3,221,156)</b> | <b>\$ (3,397,482)</b> |
| Interest received                                       | <b>\$ 994,218</b>     | <b>\$ 960,513</b>     |

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.



**2. Accounts Receivable**

|   | <u>2015</u>         | <u>2014</u>          |
|---|---------------------|----------------------|
| 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 | <u>1,621,121</u>    | <u>2,631,898</u>     |
|   | <b>\$ 7,506,099</b> | <b>\$ 10,119,425</b> |

**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.

|                 | <u>2015</u>         | <u>2014</u>         |
|-----------------|---------------------|---------------------|
| Original amount | \$ 11,000,000       | \$ 11,000,000       |
| Sinking fund    | <u>(1,568,641)</u>  | <u>(1,153,117)</u>  |
|                 | <b>\$ 9,431,359</b> | <b>\$ 9,846,883</b> |

**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:

Debt Reserve Fund - Cash Deposits

|                       | <u>2015</u>         | <u>2014</u>         |
|-----------------------|---------------------|---------------------|
| Regional District     | \$ 1,414,962        | \$ 1,297,927        |
| Member municipalities | <u>970,887</u>      | <u>939,547</u>      |
|                       | <b>\$ 2,385,849</b> | <b>\$ 2,237,474</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:

Demand Notes

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



**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.

|                                    | <u>2015</u>           |                      | <u>2014</u>    |               |
|------------------------------------|-----------------------|----------------------|----------------|---------------|
|                                    | <b>Amortized Cost</b> | <b>Fair Value</b>    | 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     |
|                                    | <b>\$ 54,452,794</b>  | <b>\$ 54,414,869</b> | \$ 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**

|                              | <u>2015</u>         | <u>2014</u>         |
|------------------------------|---------------------|---------------------|
| 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              |
|                              | <b>\$ 7,363,563</b> | <b>\$ 8,357,034</b> |

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.



**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.

|                                      | <u>2015</u>       | <u>2014</u>       |
|--------------------------------------|-------------------|-------------------|
| 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 | <u>316,575</u>    | <u>324,014</u>    |
|                                      | <u>\$ 722,808</u> | <u>\$ 683,216</u> |

**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.

|                                  | <u>2015</u>         | <u>2014</u>         |
|----------------------------------|---------------------|---------------------|
| 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                            | <u>5,384</u>        | <u>629</u>          |
|                                  | <u>\$ 1,207,890</u> | <u>\$ 1,296,502</u> |



**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               |
|                 |   |   |                                  |                                    |                          | <b>\$ 7,013,001</b>         |

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               |
|                 |   |   |                                  |                                    |                          | <b>\$ 7,752,165</b>         |





**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<br>Payment     | Total<br>Recoverable | Net<br>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   | <b>\$ 98,468,016</b> | <b>\$ 32,824,972</b> | <b>\$ 65,643,044</b> |

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)                  | <b>\$ 13,250,000</b> | -                   |
| BX-Swan Lake Fire Hall (Bylaw 2640, 2014)                        | <b>1,500,000</b>     | -                   |
| Community Sports Field and Athletics Facility (Bylaw 2571, 2013) | -                    | 7,530,000           |
| Claremont Water Utility (Bylaw 2655, 2014)                       | -                    | 700,000             |
|  | <b>\$ 14,750,000</b> | <b>\$ 8,230,000</b> |



**11. Restricted Revenues**

Development 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 |



**12. Tangible Capital Assets**

|                            | <b>2015</b>           | <b>2014</b>    |
|----------------------------|-----------------------|----------------|
| Land                       | <b>\$ 48,274,953</b>  | \$ 43,761,435  |
| Land improvements          | <b>8,965,257</b>      | 8,703,621      |
| Buildings                  | <b>16,947,880</b>     | 13,918,541     |
| Furniture and equipment    | <b>996,742</b>        | 867,597        |
| Vehicles                   | <b>1,651,158</b>      | 1,429,419      |
| Computer equipment         | <b>273,395</b>        | 243,419        |
| Water infrastructure       | <b>106,874,338</b>    | 106,253,265    |
| Septage infrastructure     | <b>1,480,329</b>      | 1,549,003      |
| Solid waste infrastructure | <b>4,196,969</b>      | 4,127,286      |
| Net Book Value             | <b>\$ 189,661,021</b> | \$ 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<br>Amortization | Net Book<br>Value |
|---------------------------|-------------------|-----------------------------|-------------------|
| Land                      | \$ 642,245        | -                           | 642,245           |
| Buildings                 | 46,053            | (15,815)                    | 30,238            |
| Government transfers paid | <b>\$ 688,298</b> | <b>\$ (15,815)</b>          | <b>\$ 672,483</b> |



**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             |
|   | <b>34,624,227</b>     | <b>23,629,244</b>     |
| <u>Reserve Fund</u>                               |                       |                       |
| Beachfront Land Acquisition and Development       | -                     | 10,794                |
| GVPRD Land Acquisition                            | 5,178,359             | 7,429,986             |
| GVPRD/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               |
|   | <b>7,763,106</b>      | <b>8,136,567</b>      |
| <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             |
|   | <b>133,449,336</b>    | <b>129,015,998</b>    |
| <u>Community Works Fund</u>                       |                       |                       |
| Opening balance                                   | -                     | -                     |
| Contributions, prior years                        | 2,227,493             | -                     |
| Contributions, 2015                               | 794,607               | -                     |
| Interest earned                                   | 44,832                | -                     |
| Expenditures                                      | (385,564)             | -                     |
|   | <b>2,681,368</b>      | <b>-</b>              |
|   | <b>\$ 178,518,037</b> | <b>\$ 160,781,809</b> |



**14. Contractual Obligations**

Contracts 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 Liabilities**

Legal 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.



**16. Tax Revenue**

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

**17. Government Transfers**

|   | 2015<br>Budget    | 2015<br>Actual    | 2014<br>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           |
|   | <b>\$ 362,749</b> | <b>\$ 566,969</b> | <b>\$ 26,902,029</b> |

**18. Investment Income**

|  | 2015<br>Budget      | 2015<br>Actual      | 2014<br>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)           |
|  | <b>\$ 1,133,833</b> | <b>\$ 1,981,340</b> | <b>\$ 1,866,713</b> |

**19. Other Revenue**

|  | 2015<br>Budget      | 2015<br>Actual      | 2014<br>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             |
|  | <b>\$ 3,392,190</b> | <b>\$ 5,795,762</b> | <b>\$ 4,476,724</b> |



**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:

|                                      | <b>Approved<br/>Budget</b> | <b>Capital &amp;<br/>Amortization</b> | <b>Debt<br/>Adjustments</b> | <b>Transfers<br/>&amp; Other</b> | <b>Presented<br/>Budget</b> |
|--------------------------------------|----------------------------|---------------------------------------|-----------------------------|----------------------------------|-----------------------------|
| <b>Revenues</b>                      |                            |                                       |                             |                                  |                             |
| 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)                 | -                                | -                           |
|                                      | <b>\$ 65,170,509</b>       | <b>\$ -</b>                           | <b>\$ (4,474,964)</b>       | <b>\$ (10,621,851)</b>           | <b>\$ 50,073,694</b>        |
| <b>Expenses</b>                      |                            |                                       |                             |                                  |                             |
| 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                   |
|                                      | <b>\$ 65,170,509</b>       | <b>\$ (17,693,915)</b>                | <b>\$ (4,271,432)</b>       | <b>\$ (2,218,464)</b>            | <b>\$ 40,986,698</b>        |



## 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.





## **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.

# RDNO 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 Balance         | Interest Paid       | Principal           | Actuarial           | 2014 Balance         |
|---|---------------|------|-------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|----------------------|
| Recreation Area No.1                      | 1996          | 20   | 2.37% | \$ 1,000,000         | \$ 939,592           | \$ 60,408            | \$ 23,714           | \$ 23,905           | \$ 33,626           | \$ 117,939           |
| Grindrod Water                            | 1997          | 20   | 4.82% | 57,000               | 48,495               | 8,505                | 2,747               | 1,724               | 2,227               | 12,456               |
| Grindrod Water                            | 1998          | 20   | 4.65% | 131,000              | 102,374              | 28,626               | 6,092               | 3,962               | 4,686               | 37,274               |
| GVWU                                      | 1999          | 20   | 2.10% | 168,000              | 120,774              | 47,226               | 3,528               | 5,569               | 4,988               | 57,783               |
| GVWU                                      | 1999          | 20   | 2.10% | 70,450               | 50,646               | 19,804               | 1,479               | 2,335               | 2,092               | 24,231               |
| GVWU                                      | 1999          | 20   | 3.15% | 375,000              | 269,584              | 105,416              | 7,875               | 12,431              | 11,134              | 128,980              |
| Community Theatre                         | 2000          | 20   | 3.15% | 7,050,000            | 4,631,334            | 2,418,666            | 148,050             | 233,702             | 189,372             | 2,841,740            |
| Multi-Use Facility                        | 2000          | 20   | 3.15% | 14,250,000           | 9,361,206            | 4,888,794            | 299,250             | 472,376             | 382,773             | 5,743,943            |
| Silver Star Water                         | 2001          | 20   | 3.05% | 165,000              | 97,798               | 67,202               | 5,033               | 4,990               | 4,419               | 76,612               |
| Community Theatre                         | 2001          | 20   | 3.05% | 500,000              | 296,357              | 203,643              | 15,250              | 15,121              | 13,392              | 232,157              |
| Community Theatre                         | 2001          | 20   | 3.05% | 1,000,000            | 592,713              | 407,287              | 30,500              | 30,243              | 26,784              | 464,314              |
| Silver Star Transfer Station              | 2001          | 15   | 3.05% | 65,000               | 59,036               | 5,964                | 1,982               | 3,012               | 2,668               | 11,644               |
| Silver Star Fire Department               | 2001          | 20   | 3.05% | 100,000              | 59,271               | 40,729               | 3,050               | 3,024               | 2,678               | 46,431               |
| Community Theatre                         | 2001          | 20   | 3.05% | 470,000              | 278,575              | 191,425              | 14,335              | 14,214              | 12,589              | 218,227              |
| Multi-Use Facility                        | 2002          | 20   | 3.05% | 200,000              | 107,137              | 92,863               | 6,100               | 6,048               | 4,814               | 103,725              |
| Multi-Use Facility                        | 2002          | 20   | 2.10% | 135,000              | 72,318               | 62,682               | 2,835               | 4,083               | 3,249               | 70,014               |
| Multi-Use Facility                        | 2003          | 20   | 2.40% | 165,000              | 79,427               | 85,573               | 3,960               | 4,990               | 3,545               | 94,108               |
| Gunter-Ellison Water                      | 2004          | 20   | 2.40% | 64,000               | 27,498               | 36,502               | 1,536               | 1,935               | 1,217               | 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               | 2,900               | 131,501              |
| Septage Disposal Facility                 | 2005          | 20   | 4.17% | 440,000              | 177,402              | 262,598              | 18,348              | 14,776              | 6,255               | 283,629              |
| GVWU                                      | 2005          | 20   | 4.17% | 3,000,000            | 1,209,558            | 1,790,442            | 125,100             | 100,745             | 42,647              | 1,933,834            |
| Recreation Area No.1                      | 2006          | 10   | 4.66% | 1,219,000            | 1,074,489            | 144,511              | 56,805              | 101,532             | 37,421              | 283,464              |
| Recreation Area No.1                      | 2006          | 20   | 4.43% | 813,000              | 288,931              | 524,069              | 36,016              | 27,302              | 10,063              | 561,434              |
| Lumby Fire Department                     | 2006          | 20   | 4.43% | 486,000              | 172,719              | 313,281              | 21,530              | 16,321              | 6,015               | 335,617              |
| Whitevale Water                           | 2006          | 10   | 4.43% | 44,381               | 39,120               | 5,261                | 1,966               | 3,697               | 1,362               | 10,320               |
| Recreation Area No.2                      | 2007          | 20   | 4.82% | 200,000              | 61,886               | 138,114              | 9,640               | 6,716               | 2,122               | 146,952              |
| Recreation Area No.4                      | 2008          | 20   | 4.65% | 175,000              | 46,417               | 128,583              | 8,137               | 5,877               | 1,559               | 136,019              |
| Recreation Area No.1                      | 2008          | 20   | 4.65% | 1,040,054            | 275,862              | 764,192              | 48,363              | 34,927              | 9,267               | 808,385              |
| Recreation Area No.1                      | 2008          | 10   | 4.65% | 101,782              | 66,958               | 34,824               | 4,733               | 8,478               | 2,249               | 45,551               |
| Silver Star Water - Vance Creek Reservoir | 2009          | 30   | 4.13% | 7,200,000            | 851,520              | 6,348,480            | 297,360             | 128,377             | 27,813              | 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             | 130,961             | 14,725,987           |
| Recreation Area No.1                      | 2010          | 20   | 3.73% | 5,646,946            | 1,027,121            | 4,619,825            | 210,631             | 189,634             | 32,211              | 4,841,671            |
| GVWU                                      | 2010          | 20   | 3.73% | 4,000,000            | 727,557              | 3,272,443            | 149,200             | 134,327             | 22,816              | 3,429,586            |
| Okanagan Regional Library                 | 2011          | 20   | 4.20% | 11,000,000           | 1,568,641            | 9,431,359            | 462,000             | 369,399             | 46,125              | 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              | -                   | -                   | -                   | -                    |
|   |               |      |       | <b>\$ 99,765,613</b> | <b>\$ 34,122,569</b> | <b>65,643,044</b>    | <b>\$ 3,221,156</b> | <b>\$ 3,183,389</b> | <b>\$ 1,088,039</b> | <b>61,684,472</b>    |
| Debt recoverable from municipalities      |               |      |       |                      |                      | <b>32,824,972</b>    |                     |                     |                     | <b>34,972,979</b>    |
|   |               |      |       |                      |                      | <b>\$ 98,468,016</b> |                     |                     |                     | <b>\$ 96,657,451</b> |



## SCHEDULE B - TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2015

|                                   | Cost                  |                      |                     |                       | Accumulated Amortization |                       |                   |                        | 2015<br>Net Book<br>Value | 2014<br>Net Book<br>Value |
|-----------------------------------|-----------------------|----------------------|---------------------|-----------------------|--------------------------|-----------------------|-------------------|------------------------|---------------------------|---------------------------|
|                                   | Opening<br>Balance    | Acquisitions         | Disposals           | Closing<br>Balance    | Opening<br>Balance       | Amortization          | Disposals         | Closing<br>Balance     |                           |                           |
| <b>Capital Assets</b>             |                       |                      |                     |                       |                          |                       |                   |                        |                           |                           |
| Land                              | \$ 45,075,487         | \$ 5,156,369         | \$ (642,245)        | \$ 49,589,611         | \$ (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               | (46,054)            | 6,434,349             | (1,988,865)              | (152,592)             | 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              | (193,856)           | 3,633,941             | (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            | (35,412)            | 143,348,833           | (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                 |
|                                   | 207,266,286           | 11,807,267           | (917,567)           | 218,155,986           | (45,297,274)             | (4,125,185)           | 208,889           | (49,213,570)           | 168,942,416               | 161,969,011               |
| <b>Assets Under Capital Lease</b> |                       |                      |                     |                       |                          |                       |                   |                        |                           |                           |
| 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                 |
|                                   | 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                 |
| <b>Assets Under Construction</b>  |                       |                      |                     |                       |                          |                       |                   |                        |                           |                           |
| 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                 |
|                                   | 9,148,228             | (6,222,348)          | -                   | 2,925,880             | -                        | -                     | -                 | -                      | 2,925,880                 | 9,148,228                 |
|                                   | <b>\$ 234,068,206</b> | <b>\$ 14,193,246</b> | <b>\$ (917,567)</b> | <b>\$ 247,343,885</b> | <b>\$ (53,214,619)</b>   | <b>\$ (4,678,448)</b> | <b>\$ 210,203</b> | <b>\$ (57,682,864)</b> | <b>\$ 189,661,021</b>     | <b>\$ 180,853,586</b>     |



## 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                |
|------------------------------|-----------------------------|----------------------|-------------------------------|-------------------------------------|------------------------|--------------------------------------|----------------------------|---------------------|---------------------|----------------------|
| <b>Revenues</b>              |                             |                      |                               |                                     |                        |                                      |                            |                     |                     |                      |
| 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           |
| <b>Expenses</b>              |                             |                      |                               |                                     |                        |                                      |                            |                     |                     |                      |
| 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                     | -                           | -                    | 1,501,273                     | -                                   | 1,983                  | -                                    | 74,796                     | 1,628,185           | 32,040              | 3,238,277            |
| Landfill closure obligation  | -                           | -                    | -                             | -                                   | 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               | 48,718              | 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           |
| <b>Net surplus (deficit)</b> | <b>\$ 3,631,102</b>         | <b>\$ (230,844)</b>  | <b>\$ 3,983,824</b>           | <b>\$ 101,488</b>                   | <b>\$ 2,497,182</b>    | <b>\$ 8,447</b>                      | <b>\$ 161,294</b>          | <b>\$ 6,682,315</b> | <b>\$ 901,420</b>   | <b>\$ 17,736,228</b> |



## 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                 |
|------------------------------|-----------------------------|----------------------|-------------------------------|-------------------------------------|------------------------|--------------------------------------|----------------------------|---------------------|---------------------|-----------------------|
| <b>Revenues</b>              |                             |                      |                               |                                     |                        |                                      |                            |                     |                     |                       |
| 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            |
| <b>Expenses</b>              |                             |                      |                               |                                     |                        |                                      |                            |                     |                     |                       |
| 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                 | 164,754                     | 66,354               | 2,109,220                     | 635,536                             | 2,387,110              | 115,026                              | 191,067                    | 3,037,814           | 573,887             | 9,280,768             |
| 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               |
|                              | 1,320,173                   | 1,921,189            | 53,489,243                    | 767,308                             | 5,923,136              | 341,131                              | 516,056                    | 15,796,986          | 1,995,879           | 82,071,101            |
| <b>Net surplus (deficit)</b> | <b>\$ 328,748</b>           | <b>\$ 231,095</b>    | <b>(\$ 12,905,424)</b>        | <b>\$ 112,783</b>                   | <b>\$ 3,141,911</b>    | <b>\$ 17,741</b>                     | <b>\$ 107,494</b>          | <b>\$ 5,917,899</b> | <b>\$ 697,343</b>   | <b>(\$ 2,350,410)</b> |