

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

December 31, 2017

The Corporation of the City of Vernon

December 31, 2017

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THE CORPORATION OF THE
CITY OF VERNON
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VERNON, BC V1T 5E6

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements of The Corporation of the City of Vernon (the "City") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting standards for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the City. The accompanying independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's financial statements.

A handwritten signature in black ink, appearing to be a stylized 'C' followed by a flourish.

Chief Administrative Officer

A handwritten signature in black ink, appearing to be the name 'Daw' in a cursive style.

Director of Financial Services

May 14, 2018



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Vernon BC
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of Vernon, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

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

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



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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Vernon as at December 31, 2017, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

May 14, 2018

Vernon, Canada

The Corporation of the City of Vernon
Consolidated Statement of Financial Position
Statement A



December 31, 2017 (in thousands of dollars)

2017 2016

Financial Assets

Cash and cash equivalents	Note 2	\$ 80,538	\$ 66,739
Portfolio investments	Note 3	5,414	5,401
Accounts receivable	Note 4	18,738	18,042
Municipal Finance Authority deposits	Note 5	2,455	2,444
Land under development	Note 6	4,778	3,156
		<u>111,923</u>	<u>95,782</u>

Liabilities

Accounts payable and accrued liabilities	Note 7	33,585	23,255
Deferred charges	Note 8	13,167	12,415
Deferred revenue	Note 9	2,147	2,482
Municipal Finance Authority reserves	Note 5	2,455	2,444
Debt	Note 10 & 11	18,681	21,850
Landfill remediation liability	Note 12	104	92
		<u>70,139</u>	<u>62,538</u>

Net Financial Assets

41,784 33,244

Non-financial Assets

Tangible capital assets	Note 13	570,690	570,657
Inventory of supplies		492	497
Prepaid expenses		278	538
		<u>571,460</u>	<u>571,692</u>

Accumulated Surplus

Note 14 \$ 613,244 \$ 604,936

Commitments and contingent liabilities

Note 20 & 22

Approved by:

Director of Financial Services

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the City of Vernon
Consolidated Statement of Operations
Statement B



For the year ended December 31, 2017 (in thousands of dollars)	Budget 2017 Note 25	Actual 2017	Actual 2016	
Revenue				
Taxation	Note 15	\$ 37,525	\$ 37,333	\$ 35,642
Government transfers	Note 16	9,097	17,357	9,015
Services provided to other governments		3,660	3,495	4,137
Sale of services:				
Sewer fees and charges		9,492	9,453	9,360
Environmental health		2,035	2,173	2,070
Recreation fees		2,305	2,370	2,205
Public transit and parking		2,004	2,008	2,051
Fines and rentals		1,655	1,676	1,661
Licences and permits		1,345	1,856	1,763
Airport		1,007	945	1,058
Other		961	1,015	1,130
Development fees		147	134	139
Fiscal services:				
Penalties, interest earned and actuarial adjustments		1,093	3,041	2,523
Net gain on sales of assets		-	-	594
Natural gas system lease agreements	Note 17	2,030	1,911	1,960
Developer contributions of assets	Note 13	1,586	5,466	2,330
		75,942	90,233	77,638
Expenses				
	Note 19 & 24			
General government and common services		10,133	10,408	9,322
Bylaw compliance and parking control		1,299	1,263	1,265
Protective Services:				
Police		11,653	11,733	10,021
Fire and rescue		5,632	5,583	5,661
Emergency measures		213	592	161
Planning and building inspection		2,717	2,456	2,256
Engineering		2,234	2,973	2,054
Operations Services:				
Road transportation		15,592	15,193	15,794
Sanitary sewer		9,634	9,741	9,038
Solid waste and recycling		1,806	1,801	1,724
Park services		2,060	1,928	2,053
Storm drainage		1,306	1,509	1,290
Airport		1,049	2,278	1,176
Other		600	540	740
Cemetery		331	295	334
Recreation		6,343	13,632	6,110
		72,602	81,925	68,999
Annual surplus		3,340	8,308	8,639
Accumulated surplus, beginning of year		604,936	604,936	596,297
Accumulated surplus, end of year	Note 14	\$ 608,276	\$ 613,244	\$ 604,936

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the City of Vernon
Consolidated Statement of Change in Net
Financial Assets



Statement C

For the year ended December 31, 2017 (in thousands of dollars)	Budget 2017		
	Note 25	2017	2016
Annual Surplus	\$ 3,340	\$ 8,308	\$ 8,639
Amortization of tangible capital assets	11,691	10,974	11,781
Net (gain)/loss on sales of assets	-	743	(594)
Proceeds on sale of tangible capital assets	-	44	1,597
Acquisition of tangible capital assets	(14,608)	(8,905)	(8,813)
Acquired tangible capital assets from developers	-	(2,889)	(1,645)
	<u>(2,917)</u>	<u>(33)</u>	<u>2,326</u>
Consumption of supplies inventories	-	773	851
Use of prepaid expenses	-	878	884
Acquisition of supplies inventories	-	(768)	(1,011)
Acquisition of prepaid expenses	-	(618)	(803)
	<u>-</u>	<u>265</u>	<u>(79)</u>
Increase in net financial assets	<u>423</u>	<u>8,540</u>	<u>10,886</u>
Net financial assets, beginning of year	<u>33,244</u>	<u>33,244</u>	<u>22,358</u>
Net financial assets, end of year	<u>\$ 33,667</u>	<u>\$ 41,784</u>	<u>\$ 33,244</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the City of Vernon
Consolidated Statement of Cash Flows
Statement D



For the year ended December 31, 2017 (in thousands of dollars)

	2017	2016
Operating Activities		
Annual surplus	\$ 8,308	\$ 8,639
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	10,974	11,781
Net loss on disposal of tangible capital assets	743	-
Net gain on transfer of tangible capital assets	-	(594)
Developer contributions of assets	(2,889)	(1,645)
Increase in landfill remediation liability	13	92
Change in non-cash operating items:		
(Increase) / decrease in accounts receivable	(696)	444
Increase in accounts payable and accrued liabilities	10,330	1,109
Increase in deferred charges	752	2,831
(Decrease) in deferred revenue	(335)	(959)
Actuarial adjustments on debt	(1,369)	(1,233)
(Increase) / decrease in supplies inventories	5	(160)
Decrease in prepaid expenses	260	81
	26,096	20,386
Investing Activities:		
(Increase) in portfolio investments	(13)	(71)
(Increase) in land under development	(1,623)	(7)
	(1,636)	(78)
Financing Activities:		
Principal payments on debt	(1,800)	(1,798)
	(1,800)	(1,798)
Capital Activities:		
Proceeds on sale of tangible capital assets	44	1,597
Acquisition of tangible capital assets	(8,905)	(8,813)
	(8,861)	(7,216)
Increase in cash and cash equivalents	13,799	11,294
Cash and cash equivalents, beginning of year	66,739	55,445
Cash and cash equivalents, end of year	\$ 80,538	\$ 66,739

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

1. Significant Accounting Policies:

The Corporation of the City of Vernon (the "City") is incorporated and operates under the provisions of the Local Government Act and Community Charter of British Columbia. The City provides local government services to residents of its incorporated area including administrative, protective, transportation, sewer, storm drainage, park maintenance, recreation, community development and environmental.

a) Basis of Accounting:

The consolidated financial statements of the City are prepared by management in accordance with accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants ("PSAS").

All revenue is recognized on an accrual basis. Property taxes are recognized as revenue in the year they are levied. Utility charges are recognized as revenue in the period earned. Expenses are recorded in the period in which the goods or services are acquired and a liability is incurred.

b) Basis of Consolidation:

The consolidated statements include all funds of the City and its wholly-owned other government organization subsidiaries. Inter-fund revenues, expenses, assets, and liabilities have been eliminated. The following controlled entities have been consolidated:

CBW Development Corp.	100%
Hesperia Development Corp.	100%

c) Measurement Uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, estimating provisions for accrued liabilities and contingent liabilities, the carrying value of the landfill remediation liability, measurement of contaminated site liabilities (if identified), and in performing valuations of employee future benefits. Actual results could differ from those estimates and adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.

d) Cash and Cash Equivalents:

Management classifies all highly liquid investments with maturity of one year or less at acquisition as cash equivalents.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

1. Significant Accounting Policies: (continued)

e) Land Under Development:

Land under development is valued at the lower of cost and net realizable value. Costs of inventory include the original land costs and design, engineering and other related costs associated with holding the property.

f) Deferred Charges:

Deferred charges are comprised of levied and unused Development Cost Charges and Sidewalk Gifting funds. These funds are recorded as revenue in the year they are used to fund tangible capital asset acquisitions or eligible operating expenses.

g) Deferred Revenue:

Deferred revenue represents property taxes, permits and other fees that have been collected, but for which the related taxes have not yet been levied and services or inspections have yet to be performed. These amounts will be recognized in revenue in the fiscal year taxes are levied, services are performed, or revenues are earned. Deferred revenue amounts are included in Accounts Payable and Accrued Liabilities (note 7).

h) Debt:

Debt principal payments are not charged against current operating revenue pursuant to PSAS. Interest is recorded on an accrual basis. Gross interest paid on debt in 2017 was \$1,108,000, (\$1,142,000 in 2016).

i) Landfill Closure and Post-Closure Liability:

The estimated cost for closure and post-closure care for the Hesperia landfill is based on estimated future expenses in current dollars and charged as an expense in the reporting period that the landfill site's capacity is used. There is significant measurement uncertainty in the estimate for the closure liability as it does not include a cost for obtaining suitable material for the final cover. This material is anticipated to be obtained at no charge as some materials that are discharged at the landfill are suitable to be used for the final cover and are diverted and stored to be used for progressive closure activities.

j) Liability for Contaminated Sites:

A liability for remediation of contaminated sites is recognized when all the following criteria are met: an environmental standard exists, contamination exceeds the environmental standard, the City is directly responsible or accepts responsibility, and a reasonable estimate of the amount can be made. The liability is recorded net of any expected recoveries. The City currently has not identified any contaminated sites.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

1. Significant Accounting Policies: (continued)

k) Non-Financial Assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus/deficit, provides the consolidated change in net financial assets for the year.

l) Tangible Capital Assets and Amortization:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, and site preparation costs. The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on the basis of straight-line or declining balance over the estimated useful life of the tangible capital asset, as follows:

Transportation Infrastructure:

Roads (surface)	Straight-line	25 years
Roads (base)	Straight-line	75 years
Bridges	Straight-line	50 to 75 years
Sidewalks	Straight-line	25 to 50 years
Traffic signals	Straight-line	15 years
Street lighting	Declining balance	5%
Parking meters	Declining balance	10%
Storm Drainage Infrastructure	Straight-line	75 years
Sanitary Sewer Infrastructure	Straight-line	75 years
Buildings	Straight-line	35 to 60 years
Vehicles	Straight-line	7 to 29 years
Miscellaneous Equipment	Straight-line	10 to 30 years
Information Technology	Declining balance	40%
Natural Gas System	Straight-line	35 years

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017

(tabular amounts in thousands of dollars)

1. Significant Accounting Policies: (continued)

m) Reserves:

Statutory reserve funds are used for future capital expenses as designated by bylaw and City Council. Non-statutory reserves are amounts set aside from past and current operations and are not governed by bylaw.

n) Employee Future Benefits:

The City and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer plan, the City's contributions are expensed as incurred.

Sick leave and other retirement benefits are also available to the City's employees. The costs of these benefits are determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn future benefits.

o) Government Transfers:

Government transfers are recognized as revenue in the period in which the event giving rise to the transfer occurs, provided the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Transfers received in the current year that do not meet these criteria are recorded as accrued liabilities.

p) Budget Figures:

The budget figures are from the annual Financial Plan Bylaw. They have been reallocated to conform to PSAB financial statement presentation requirements where appropriate. Subsequent amendments have been authorized by City Council to reflect changes in the budget. Such amendments are not reflected in the financial statement budget figures (note 25).

q) Comparative Figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

r) Segment Disclosures:

Segmented financial information is presented in groups of distinguishable activities in a similar approach to the City's internally reported cost centres. These segments are structured in a fashion to assist users of financial statements in understanding and identifying the resources allocated to support commonly recognized functions of the City. Segments are identified primarily by function and secondarily by organizational relationship. Revenues are allocated to segments when there is a direct cause and effect relationship to the expenses of those segments. Revenues that cannot be reasonably allocated in such a manner are considered common to the City as a whole and reported in general government (note 23).

The Corporation of the City of Vernon
Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

2. Cash and Cash Equivalents:

	<u>2017</u>	<u>2016</u>
Restricted:		
Deferred charges	\$ 13,167	\$ 12,415
Deferred revenue	2,147	2,482
Statutory reserves	3,370	3,040
	<u>18,684</u>	<u>17,937</u>
Unrestricted:	61,854	48,802
	<u>\$ 80,538</u>	<u>\$ 66,739</u>

The City has access to an operating line of credit not exceeding \$2.0 million (2016 - \$2.0 million). Interest is accrued based on Valley First, a Division of First West Credit Union's prime lending rate plus 0.25%. As of December 31, 2017, this line of credit was not being utilized (2016- \$0).

3. Portfolio Investments:

Portfolio investments are comprised of pooled investments in the Municipal Finance Authority ("MFA") Bond Fund. As of December 31, 2017, all such investments represented development cost charges. Portfolio investments are recorded at their cost and written down to reflect losses in value that are other than temporary.

4. Accounts Receivable:

	<u>2017</u>	<u>2016</u>
Property taxes	\$ 4,259	\$ 4,424
Utility billings	7,112	6,782
Other governments	4,342	3,731
Trade and other receivables	3,150	3,230
	<u>18,863</u>	<u>18,167</u>
Allowance for doubtful trade accounts receivable	(125)	(125)
	<u>\$ 18,738</u>	<u>\$ 18,042</u>

The Corporation of the City of Vernon
Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

5. Municipal Finance Authority – Deposits and Reserves:

The City issues most of its debt through the MFA. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the MFA as a debt reserve fund. The City also executes demand notes in connection with each debenture whereby the City may be required to pay certain amounts to the MFA. (see note 22(b)). The details of the cash deposits withheld from debenture proceeds and demand notes at year end are as follows:

	Demand Notes	Cash Deposits	2017	2016
MFA deposits and reserves - general	\$ 1,087	\$ 511	\$ 1,598	\$ 1,587
MFA deposits and reserves - sewer	529	328	857	857
	\$ 1,616	\$ 839	\$ 2,455	\$ 2,444

6. Land Under Development:

In 2008, development activity began for both Hesperia Development Corporation and CBW Development Corporation. In 2017, the City entered into a Land Purchase and Development Framework agreement for the conditional sale of City owned land. The accumulated value of \$4,778,000 (2016 - \$3,156,000) is comprised of the historical cost of the land plus all design, engineering, and related costs incurred to date. Such costs have not been included in tangible capital assets since the land and improvements are subject to resale upon completion of the development.

7. Accounts Payable and Accrued Liabilities:

	2017	2016
Trade accounts payable and other accrued liabilities	\$ 14,660	\$ 11,359
Multi-Use Facility expansion unspent deposit	6,060	-
Salaries, wages and related costs	4,669	4,891
	25,389	16,250
Deferred revenue		
Prepaid property taxes	3,696	3,548
Deposits and holdbacks	4,401	3,378
Prepaid fees and charges	99	79
	8,196	7,005
	\$ 33,585	\$ 23,255

The Corporation of the City of Vernon
Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

8. Deferred Charges:

Deferred Charges include Sidewalk Gifting Funds and Development Cost Charges (“DCC’s”). Sidewalk Gifting Funds are charged to developers through a works contribution agreement requiring the City to use funds for future sidewalks adjacent to each property. DCC’s are collected to pay for 95% of the general capital costs due to development and 90% of utility capital costs on specified projects. In accordance with the Local Government Act, these funds must be deposited into a separate reserve fund. DCC’s are deferred and recognized as revenue when the related costs are incurred.

	<u>2017</u>	<u>2016</u>
Deferred charges		
DCC - roads	\$ 5,098	\$ 4,817
DCC - storm	1,776	1,663
DCC - sewer	4,306	3,976
Sidewalk gifting funds	1,987	1,959
	<u>13,167</u>	<u>12,415</u>
Deferred charges, beginning of year	\$ 12,415	\$ 9,584
DCC's levied during the year	2,610	3,269
Sidewalk gifting funds received	208	123
Investment income	84	113
Contributions available	<u>15,317</u>	<u>13,089</u>
Capital transfers	(1,731)	(410)
Operating transfers	(419)	(264)
Deferred charges, end of year	<u>\$ 13,167</u>	<u>\$ 12,415</u>

9. Deferred Revenue:

	<u>2017</u>	<u>2016</u>
Recreation Facility Major Maintenance	\$ 1,746	\$ 1,727
Recreation Facility Replacement (Civic)	301	301
Recreation Facility Operating	100	454
	<u>\$ 2,147</u>	<u>\$ 2,482</u>

The Corporation of the City of Vernon
Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

10. Debt:

	Purpose of Bylaw	Interest Rate %	Year of Maturity	Gross Debt	Sinking Fund Asset	2017 Net Debt	2016 Net Debt
<u>General Purposes:</u>							
4717	Fortis BC Gas Lease*	2.10%	2019	\$ 24,500	\$ 20,459	\$ 4,041	\$ 5,918
4718	Fortis BC Gas Lease *	9.85%	2037	1,185	85	1,100	1,118
4624	Downtown Revitalization	1.80%	2020	388	292	96	126
4625	Downtown Revitalization	1.80%	2020	128	96	32	42
4728	Downtown Revitalization	1.80%	2020	211	159	52	68
4739	Various	1.80%	2020	4,675	3,514	1,161	1,523
				<u>31,087</u>	<u>24,605</u>	<u>6,482</u>	<u>8,795</u>
<u>Sewer Purposes:</u>							
1214BJ	Blue Jay Specified Area	4.82%	2017	100	100	-	8
4889	Reclaimed Water Line	1.80%	2020	1,061	797	264	345
4680	Treatment Plant Phase I	1.75%	2027	5,000	2,260	2,740	2,947
4680	Treatment Plant Phase II	2.40%	2028	2,038	837	1,201	1,282
4791	Water Reclamation Plant	1.80%	2030	12,556	4,562	7,994	8,473
				<u>20,755</u>	<u>8,556</u>	<u>12,199</u>	<u>13,055</u>
				<u>\$ 51,842</u>	<u>\$ 33,161</u>	<u>\$ 18,681</u>	<u>\$ 21,850</u>

* See Note 17 for capital lease liabilities.

11. Future Payments and Sinking Fund Additions:

	General	Sewer	Total
2018	\$ 1,258	\$ 541	\$ 1,799
2019	1,260	541	1,801
2020	314	541	855
2021	26	484	510
2022	28	484	512
2023 & thereafter	980	3,469	4,449
	<u>3,866</u>	<u>6,060</u>	<u>9,926</u>
Actuarial adjustments	2,616	6,139	8,755
	<u>\$ 6,482</u>	<u>\$ 12,199</u>	<u>\$ 18,681</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017

(tabular amounts in thousands of dollars)

12. Landfill Remediation Liability

The City operates its Hesperia landfill as a demolition, land clearing and construction material disposal facility under an Operational Certificate ("OC") issued by the Province of BC's Ministry of Environment ("MOE"). The OC excludes domestic refuse, plastics, rubber, contaminated soils and other non-construction wastes. The Hesperia landfill only accepts waste from City projects and does not accept public waste.

The liability for closure and post-closure care is recognized based on an Operating and Closure Plan (the Plan). The Plan estimates closure costs based on the assumption that the landfill will be closed at the end of its predetermined useful life; however, some of the estimated closure costs will be expended sooner as the landfill is anticipated to be closed progressively. The closure liability estimated in the Plan is in current dollars and has been inflated to the end of the landfill's useful life using an inflation rate of 1.5% (2016 – 1.5%) and then discounted to the financial reporting date at 2.49% (2016 – 2.49%), which is the City's cost of capital on debt outstanding as of the same date.

The liability for closure and post-closure care at December 31, 2017 is \$104,000 (2016 - \$91,000), the estimated total expenditures for closure and post-closure care are \$1,151,000 (2016 - \$1,139,000) which leaves \$1,047,000 (2016 - \$1,048,000) remaining to be recognized. The landfill is estimated to have remaining capacity of 873,208 cubic meters (91%) and remaining life of 53 years.

The City has implemented a tipping fee charged to internal projects that discharge waste at the landfill with net proceeds contributed to a reserve to pay for closure related expenses. On December 31, 2017 the balance of this reserve is \$292,000 (2016 - \$158,000).

When the landfill closes at the end of its useful life it is estimated that post-closure care will be required for 25 years. The reported liability is based on estimates and assumptions with respect to anticipated events over the expected remaining service life of the landfill. Management periodically performs an assessment of the underlying assumptions and utilizes the expertise of a qualified firm of engineers external to the City in forming the estimate.

The Corporation of the City of Vernon
Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

13. Tangible Capital Assets:

Cost	December 31, 2016	Additions/ Reclassification	Disposals	December 31, 2017
Land	\$ 262,585	\$ 990	\$ -	\$ 263,575
Buildings	66,709	(306)	836	65,567
Vehicles	12,739	930	202	13,467
Miscellaneous equipment	2,632	470	-	3,102
Information technology	2,659	379	294	2,744
Transportation infrastructure	217,131	7,626	69	224,688
Storm drain infrastructure	80,083	(460)	-	79,623
Sanitary sewer infrastructure	99,739	2,165	37	101,867
Other leasehold equipment	25,295	-	-	25,295
	<u>\$ 769,572</u>	<u>\$ 11,794</u>	<u>\$ 1,438</u>	<u>\$ 779,928</u>
Accumulated Amortization	December 31, 2016	Amortization	Disposals	December 31, 2017
Buildings	\$ 25,377	\$ 1,684	\$ 175	\$ 26,886
Vehicles	7,392	635	174	7,853
Miscellaneous equipment	1,093	96	-	1,189
Information technology	2,197	184	230	2,151
Transportation infrastructure	102,835	5,269	58	108,046
Storm drainage infrastructure	22,078	1,035	-	23,113
Sanitary sewer infrastructure	27,825	1,348	14	29,159
Other leasehold equipment	10,118	723	-	10,841
	<u>\$ 198,915</u>	<u>\$ 10,974</u>	<u>\$ 651</u>	<u>\$ 209,238</u>
Net Book Value	December 31, 2016			December 31, 2017
Land	\$ 262,585			\$ 263,575
Buildings	41,332			38,681
Vehicles	5,347			5,614
Miscellaneous equipment	1,539			1,913
Information technology	462			593
Transportation infrastructure	114,296			116,642
Storm drain infrastructure	58,005			56,510
Sanitary sewer infrastructure	71,914			72,708
Other leasehold equipment	15,177			14,454
	<u>\$ 570,657</u>			<u>\$ 570,690</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

13. Tangible Capital Assets: (continued)

a) Work-in-progress

Work-in-progress is comprised of costs related to projects currently under planning, development or construction that will result in a finished asset at a future date. Such costs are capitalized until such time as the property is ready for use. Work-in-progress having a value of \$13,551,000 (2016 - \$10,976,000) has not been amortized. Amortization of these assets will commence the year following when each specific asset is put into service.

b) Contributed Tangible Capital Assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$2,889,000 (2016 - \$1,645,000) comprised of transportation infrastructure in the amount of \$1,436,000 (2016 - \$1,252,000), storm drain infrastructure in the amount of \$808,000 (2016 - \$236,000) and sanitary sewer infrastructure in the amount of \$645,000 (2016 - \$157,000).

c) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value is not determinable, the tangible capital asset is recognized at a nominal value.

d) Intangible Assets

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at city sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

e) Write-down of Tangible Capital Assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide goods and services. Any impairment is accounted for as an expense in the consolidated statement of operations. No impairments were identified or recorded during the year ended December 31, 2017 and 2016.

f) Capital Leases

Included in tangible capital assets are assets of \$25,295,000 (2016 - \$25,295,000) and accumulated amortization of \$10,841,000 (2016 - \$10,118,000). The City recorded amortization expense of \$723,000 (2016 - \$723,000) related to these leased assets.

The Corporation of the City of Vernon
Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

14. Accumulated Surplus:

Accumulated surplus consists of individual fund surpluses and reserves. Operating surplus for the City is as follows:

	<u>2017</u>	<u>2016</u>
Accumulated surplus per Statement of Financial Position	\$ 613,244	\$ 604,936
Less:		
Tangible capital assets	(570,690)	(570,657)
Inventory of supplies	(492)	(497)
Prepaid expenses	(278)	(538)
Debt	18,681	21,850
	<u>\$ 60,465</u>	<u>\$ 55,094</u>
Non-Statutory Reserves		
Budget Carryover Reserve General	\$ 2,192	\$ 1,508
Budget Carryover Reserve Sewer	49	49
Capital Reserves General	13,213	12,154
Capital Reserves Sewer	13,947	12,733
Operating Reserves General	213	170
Tax Equalization Reserves General	6,201	6,350
Tax Equalization Reserves Sewer	8,697	8,030
Special Purpose Reserves	6,154	7,320
Fortis BC Lease Legacy Reserve	3,418	3,097
	<u>54,084</u>	<u>51,411</u>
Statutory Reserve Funds		
Highway Access to Water Reserve	619	613
Land Sale Reserve	841	1,409
Local Improvement Reserve	850	841
Parkland Reserve Equity	221	177
Recreation Facility Operating Reserve	839	-
	<u>3,370</u>	<u>3,040</u>
Total Restricted Funds	<u>57,454</u>	<u>54,451</u>
Unappropriated Surplus	<u>\$ 3,011</u>	<u>\$ 643</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

15. Property Tax Revenue:

Total tax revenue net of transfers of taxes collected for other governments and agencies were as follows:

	<u>2017</u>	<u>2016</u>
Specific assessments:		
Residential	\$ 23,085	\$ 21,817
Business	11,599	11,299
Utilities	272	278
Light industrial	523	492
Non-profit	132	132
Farm land	3	3
	<u>35,614</u>	<u>34,021</u>
Payments in lieu of taxes	1,235	1,283
Specified area taxes and other	484	338
	<u>\$ 37,333</u>	<u>\$ 35,642</u>

The Corporation of the City of Vernon
Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

16. Transfers from Other Governments

	<u>2017</u>	<u>2016</u>
Federal government transfers		
Transportation infrastructure	\$ 1,798	\$ 1,674
Recreational initiatives	80	-
	<u>1,878</u>	<u>1,674</u>
Provincial government transfers		
Transit subsidy	2,095	2,285
Casino revenue sharing	1,960	1,956
Transportation infrastructure	824	59
Hotel tax	738	693
Sanitary infrastructure	666	-
Traffic fine revenue sharing	486	523
Emergency Management BC	419	6
Keep of prisoners	272	276
Insurance Corporation of BC	149	70
Carbon tax rebate	82	79
Certificate of Recognition safety program	63	61
Tourism BC	25	32
Fire Smart program	14	-
Municipal Insurance Agency	13	26
Other transfers	10	-
BC Hydro initiatives	1	13
Emergency planning	-	15
	<u>7,817</u>	<u>6,094</u>
Other government transfers		
Recreational initiatives	7,270	1,088
Regional initiatives	293	43
Okanagan Basin Water Board	93	102
Community development initiatives	6	14
	<u>7,662</u>	<u>1,247</u>
Total transfers from other governments	<u>\$ 17,357</u>	<u>\$ 9,015</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

17. Natural Gas System Lease Agreements:

The City has entered into an agreement with BC Gas Utility Ltd. (now known as Fortis BC Gas Inc. and hereafter referred to as "Fortis BC") which has resulted in the creation of the Natural Gas Legacy Fund.

a) Leased tangible capital assets:

Under the terms of the agreement, the City has entered into a 35-year lease of tangible capital assets commencing December 1, 2002 for the natural gas distribution system within the City boundary. The City has prepaid \$23,750,000 of the capital lease obligation and has financed the prepayment through debenture debt (Debt Bylaw # 4718, note 10). The remaining obligation, which is included in debt, will be paid with annual lease payments of \$127,884 including interest based on Fortis BC-approved pre-tax weighted average cost of capital of 9.85%.

b) Operating Lease:

The City has also entered into a 17-year operating lease that commenced December 1, 2002 whereby the City leases back to Fortis BC the operation of the gas distribution system. Under the operating lease, Fortis BC is obligated to make annual lease payments to the City that are calculated by a formula specified in the agreement which is based on the total annual revenue generated by the transaction. The lease revenue in 2017 was \$1,911,000, (\$1,960,000 in 2016). At the end of the 17-year term, Fortis BC has the option of making a termination payment equal to the unamortized portion of the City's \$23,750,000 prepayment under the lease of tangible capital assets, which is estimated to be \$12,214,000 or negotiate a new 18-year operating lease with a continuation of the annual lease payments which existed under the previous 17-year operating lease agreement.

18. Long-term Agreements with the Regional District of North Okanagan (the "Regional District"):

a) Water Agreement

The City has entered into a 5-year agreement with the Regional District for the operation of the water system in Vernon and Electoral Areas B and C and owned by the Regional District. This agreement replaces a 10-year agreement expiring January 31, 2013. Under this agreement, the City is responsible for the day-to-day operation of the water system within the City and Areas B and C, and is wholly reimbursed by the Regional District for the operating expenses made to undertake these duties. The agreement expires January 31, 2018. The City has entered into a new 5-year agreement for February 1, 2018 to January 31, 2023.

b) Parks Agreements

The City entered into an agreement with the Regional District to assume responsibility for the management and operation of local parks commencing January 1, 2014. The agreement also involves the transfer of park land between both parties so that local parks within the City are owned and operated by the City and designated sub-regional parks are owned and operated by the Regional District.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

18. Long term Agreements with the Regional District of North Okanagan: (continued)

Under this agreement each jurisdiction levies and contributes Parks development cost charges according to the Regional District development cost charges bylaw. Development cost charge amounts are then allocated on the basis of contributions for use in those jurisdictions. The amount allocated to the City as of December 31, 2017 was \$3,410,000 (2016 - \$2,918,000).

The City has entered into a 3-year agreement with the Regional District to assume responsibility for the management and operation of sub-regional parks commencing January 1, 2014 and ending December 31, 2016. Subsequently a one-year agreement was agreed upon expiring December 31, 2017. As at December 31, 2014 the City transferred to the Regional District park land with fair market value approximating \$23,941,000 (historical cost \$1,861,000) and the Regional District transferred park land to the City with fair market value approximating \$14,855,000.

c) Recreation Agreements

The City entered into a 5-year agreement with the Regional District to assume responsibility for the management and operation of local recreational facilities commencing January 1, 2014 and ending December 31, 2018. The agreement also involves the transfer of recreation facilities and related land from the Regional District to the City to re-align responsibility for the facilities and programming to the City. As at December 31, 2014 the Regional District transferred to the City recreation facilities and land with fair market value approximating \$1,487,000. Facilities and land owned by the Regional District with fair market value approximating \$34,968,000 plus facilities currently being constructed on these lands with construction costs to date approximating \$7,100,000 have not yet been transferred to the City as of December 31, 2017.

19. Expenses by Object:

	2017	2016
Salaries and wages	\$ 26,609	\$ 25,901
Contracted services	21,915	13,692
RCMP contract	8,921	7,113
Amortization of tangible assets	10,974	11,781
Supplies, materials and other	5,363	3,534
Bank charges and net loss on capital assets	2,067	1,255
Utilities, telephone and insurance	4,250	3,993
Equipment charges	1,826	1,730
	<u>\$ 81,925</u>	<u>\$ 68,999</u>

20. Commitments:

The City has entered into a lease agreement for a transit maintenance facility with BC Transit for 40 years with two 10-year renewal options. The 40-year lease was prepaid in full in the amount of \$1,310,000 upon occupancy by BC Transit of the site in November 2011.

The Corporation of the City of Vernon

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Year Ended December 31, 2017
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21. Cemetery Care Trust Fund:

The City owns and maintains Pleasant Valley Cemetery. Pursuant to provincial legislation, a Cemetery Care Trust Fund was established to ensure continuity of cemetery maintenance. A portion of all plot sales and memorial setting fees is credited to this Fund. Although the Fund balance is not included in the consolidated financial statements, all investment earnings during the year are transferred into general revenue as permitted by law.

	<u>2017</u>	<u>2016</u>
Trust Fund Continuity:		
Balance, beginning of year	\$ 783	\$ 757
Interest earned	8	13
Proceeds from plot sales and memorial settings	30	26
Transfers to general fund for maintenance	(8)	(13)
Balance, end of year	<u>\$ 813</u>	<u>\$ 783</u>

22. Contingent Liabilities:

a) Regional District:

The City is responsible as a member of the Regional District for its proportional share of operating deficits related to functions in which it participates. Under the provisions of the Local Government Act, the Regional District's debt is a joint and several liability of the Regional District and each of its member municipalities including the City.

b) MFA Demand Notes:

Debentures are covered by a loan agreement with the MFA which provides that, if at any time the payments provided for in the agreement are not sufficient to meet the authority's obligations in respect of such borrowings, the resulting deficiency becomes a proportional liability of each member local government, including the City. As these demand notes are contingent in nature, no liability is recorded.

c) Municipal Insurance Association:

In 1987, the City entered into a self-liability insurance plan with several other local governments in British Columbia forming the Municipal Insurance Association of BC. The City is obligated under the plan to pay a percentage of its fellow insured's losses. The City pays an annual premium, which is anticipated to be adequate to cover any losses incurred.

d) Legal Claims:

The City has been named defendant in several uninsured legal actions. No reserve or liability has been recorded regarding any of the legal actions and any possible claims because the amount of loss, if any, is not determinable. Settlement, if any, made with respect to these actions, will be accounted for as an expense in the period in which realization is known.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017

(tabular amounts in thousands of dollars)

22. Contingent Liabilities: (continued)

e) Pension Liability:

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The board of trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2016, the Plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local government.

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

The most recent actuarial valuation for the Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The City paid \$2,137,000 (2016 - \$2,076,000) for employer contributions while employees contributed \$1,812,000 (2016 - \$1,765,000) to the Plan in fiscal 2017.

The next valuation will be December 31, 2018, with results available in 2019.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

f) Letter of Credit:

In 2007, the City issued an Irrevocable Letter of Credit in favour of the Agricultural Land Commission ("ALC") of British Columbia as a guarantee to fund works required by the ALC as a condition of the property being removed from the Agricultural Land Reserve. The amount of the Letter of Credit is \$716,000. As of December 31, 2017, no drawing on the Letter of Credit has occurred.

The Corporation of the City of Vernon

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23. Segmented Information:

Segmented information has been grouped into related department functions or service areas for segment reporting purposes provided in note 24 which shows the associated revenues and expenses for each segment. The various segments are described as follows:

a) General Government:

This segment is comprised of all general government and common services provided within the City. It includes legislative services, corporate administration, City Clerk's office, tourism, finance, human resources, information services, civic building maintenance, bylaw compliance, parking control, and subsidiary corporations.

- Legislative services and corporate administration are responsible for general government administration including council support, conducting elections and records management.
- Tourism is responsible for tourism marketing and managing the City's tourist booth location.
- Finance is responsible for the oversight of all financial matters including financial planning, collection of revenues, purchasing and financial reporting.
- Human resources are responsible for staff recruiting, payroll processing, occupational health and safety and labour relations.
- Information services are responsible for planning, maintaining and operating the City's information systems.
- The GIS department catalogues the City's infrastructure geographically for use by the City and its citizens.
- Civic building maintenance is responsible for maintaining all buildings owned by the City.
- Bylaw compliance and parking control is responsible for administering and encouraging compliance to regulatory bylaws, patrolling City owned/leased paid parking lots, residential permit zones and restricted parking areas. They also patrol and maintain almost 1,000 parking meters. This function focuses on community security and safety programs in conjunction with police services.
- The City's subsidiary corporations are 100% owned.
- Revenues associated with this segment include all those amounts that cannot be attributed directly to other segments including taxation, grants in lieu, interest revenue and property rental revenue.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

23. Segmented Information: (continued)

b) Protective Services:

This segment is comprised of police services, fire rescue and emergency management services.

- Police services are contracted to the RCMP with support assistance from municipal staff. The City is home to a regional detachment for the North Okanagan. The City has a proactive community policing group that provides programs for its citizens and businesses such as citizens on patrol, crime stoppers, block watch and safety patrols.
- Fire and rescue services provide fire response, investigation and prevention services within the City's fire department.
- Emergency management services is responsible for emergency planning within the community and is engaged when the City is affected by an emergency situation.

c) Planning and Engineering:

This segment is comprised of community development, planning, building inspections services and the capital works program.

- Community Development is responsible for sustainable development throughout the City including environmental, economic and social development.
- Planning is responsible for land use planning – long term and short term – plus the administration of the Official Community Plan and zoning bylaws.
- Building Inspections is responsible for issuing permits for any developments in the City including building permits, rezoning and development permits.
- Engineering is responsible for the planning and implementation of the capital works program for all infrastructure - storm, sewer and transportation. They work in conjunction with Operations.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

23. Segmented Information: (continued)

d) Operations:

This segment is responsible for the operation and maintenance of the City's infrastructure assets including roads, sidewalks and storm drains. Other components include public transit, solid waste and recycling, cemetery and airport.

- Road transportation encompasses year round maintenance of roads, street lights, signs and sidewalks, plus the public transit system which is contracted with BC Transit with subsidies provided from the Province
- Storm drainage includes the maintenance of storm infrastructures including mains, manholes and catch basins.
- The Vernon Regional Airport provides services to small aircraft and executive jets in the region and includes a paved lighted runway, hangars, jet and regular air fuel dispensing.
- Solid waste and recycling services are contracted with the Regional District of North Okanagan.
- The City has one cemetery whose operation is overseen by the Operations group. Other services provided within the City include overseeing fleet activities and support for the Regional District water services and parks services.

e) Sanitary Sewer Operations:

This segment is responsible for the entire sanitary sewer operation and maintenance of the sewer infrastructures including mains, manholes, catch basins and lift stations. Plus, it is responsible for the operation and maintenance of the Vernon Water Reclamation Centre and spray irrigation system.

f) Recreation:

This segment is responsible for the management, maintenance and operation of all recreation facilities within the City. This includes planning and delivery of recreation programs for all ages of citizens, maintenance and operation of all arenas and indoor pool. As well as operating two outdoor pools in the summer.

The Corporation of the City of Vernon
Notes to the Consolidated Financial Statements



Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

24. Segmented Disclosure:

	General Government	Protective Services	Planning & Engineering	Recreation	Operations Services	Sanitary Sewer	2017	2016
Revenue								
Taxation	\$ 37,077	\$ -	\$ -	\$ -	\$ -	\$ 256	\$ 37,333	\$ 35,642
Services to other governments	526	417	114	1,084	816	538	3,495	4,137
Government transfers	4,563	1,202	31	7,393	3,242	926	17,357	9,015
Sale of services	1,989	228	1,999	3,442	4,146	9,464	21,268	21,034
Fiscal services	2,614	-	-	111	-	316	3,041	3,117
Transfers of assets from developers	282	-	165	-	4,134	885	5,466	2,330
Natural gas system agreement	2,273	-	-	-	-	-	2,273	2,363
	49,324	1,847	2,309	12,030	12,338	12,385	90,233	77,638
Expenses								
Salaries and wages	6,472	7,448	3,619	3,817	3,366	1,887	26,609	25,901
Contracted services	1,911	367	1,295	7,905	9,140	1,297	21,915	13,692
RCMP contract	-	8,921	-	-	-	-	8,921	7,113
Amortization of tangible assets	1,817	186	-	11	6,370	2,590	10,974	11,781
Supplies, materials and other	(966)	587	419	736	2,388	2,199	5,363	3,534
Bank fees and net loss on assets	1,610	-	-	36	12	409	2,067	1,255
Utilities, telephone and insurance	730	203	13	1,064	1,170	1,070	4,250	3,993
Equipment charges	97	196	83	63	1,098	289	1,826	1,730
	11,671	17,908	5,429	13,632	23,544	9,741	81,925	68,999
Excess (deficiency) revenue over expenses	\$ 37,653	\$ (16,061)	\$ (3,120)	\$ (1,602)	\$ (11,206)	\$ 2,644	\$ 8,308	\$ 8,639

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements

Year Ended December 31, 2017
(tabular amounts in thousands of dollars)

25. Budget Data:

The budget data presented in these consolidated financial statements is based upon the 2017 consolidated financial plan approved by Council on January 9, 2017. The schedule below reconciles the approved budget in Bylaw #5613 to the budget figures reported in these consolidated financial statements.

	<u>Budget Amount</u>
Revenue:	
Operating budget	\$ 106,484
Capital budget	12,023
	<u>118,507</u>
Less:	
Transfers from other funds and reserves	10,536
Collections for other governments	32,029
	<u>(42,565)</u>
Total Revenue	75,942
Expenses:	
Operating budget	115,558
Capital budget	14,608
	<u>130,166</u>
Less:	
Capital expenses	14,608
Transfers to other funds and reserves	9,147
Debt principal payments	1,780
Collections for other governments	32,029
	<u>(57,564)</u>
Total Expenses	<u>72,602</u>
Annual Surplus	<u>\$ 3,340</u>