

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

December 31, 2019



THE CORPORATION OF THE
CITY OF VERNON
3400 - 30TH STREET
VERNON, BC V1T 5E6

P:250-545-1361
F:250-545-7876

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 stylized, handwritten signature in black ink, consisting of a large loop and a trailing flourish.

Chief Administrative Officer

A stylized, handwritten signature in black ink, appearing to read "Law" with a large loop at the end.

Director of Financial Services

May 11, 2020



KPMG LLP
3205-32 Street
3rd Floor
Credit Union Building
Vernon BC
V1T 9A2
Telephone (250) 503-5300
Fax (250) 545-6440
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Vernon (the City), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2019, and its consolidated results of operations, its consolidated changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants

May 11, 2020

Vernon, Canada

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



December 31, 2019 (in thousands of dollars)

2019

2018

Financial Assets

Cash and cash equivalents	Note 2	\$ 105,912	\$ 84,108
Accounts receivable	Note 3	17,127	19,695
Loans receivable	Note 4	112	-
Municipal Finance Authority cash deposits	Note 5	429	857
Land held for resale	Note 6	4,254	4,748
		<u>127,834</u>	<u>109,408</u>

Liabilities

Accounts payable and accrued liabilities	Note 7	29,433	29,814
Deferred charges	Note 8	16,571	13,086
Deferred revenue	Note 9	1,565	1,806
Debt	Note 10 & 11	10,859	15,375
Landfill remediation liability	Note 12	178	130
		<u>58,606</u>	<u>60,211</u>

Net Financial Assets

	<u>69,228</u>	<u>49,197</u>
--	---------------	---------------

Non-financial Assets

Tangible capital assets	Note 13	562,845	575,083
Inventory of supplies		483	453
Prepaid expenses		657	692
		<u>563,985</u>	<u>576,228</u>

Accumulated Surplus

Note 14	\$ 633,213	\$ 625,425
---------	------------	------------

Commitments and contingencies

Note 20 & 22

Subsequent events

Note 26

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



		Budget		Actual	
		2019		2019	
For the year ended December 31, 2019 (in thousands of dollars)		Note 25		2019	
				Actual	
				2018	
Revenue					
Taxation	Note 15	\$	42,580	\$	42,362
Government transfers	Note 16		13,366		11,281
Services provided to other governments			3,203		3,199
Sale of services:					
Sewer fees and charges			9,661		9,840
Environmental health			2,138		2,347
Recreation fees			2,782		2,938
Public transit and parking			2,186		2,299
Fines and rentals			1,411		1,345
Licences and permits			1,525		1,892
Airport			967		1,284
Other			1,150		1,412
Development fees			151		115
Fiscal services:					
Penalties, interest earned and actuarial adjustments			1,399		3,451
Natural gas system lease agreement	Note 17		1,874		1,832
Developer contributions of assets	Note 13		4,268		3,551
			88,661		89,148
					94,295
Expenses					
	Note 19 & 24				
General government and common services			11,247		10,864
Bylaw compliance and parking control			1,397		1,514
Protective Services:					
Police			12,953		12,465
Fire rescue			6,195		6,546
Emergency measures			216		205
Planning and building inspection			2,964		2,695
Engineering			4,389		3,877
Operations Services:					
Road transportation			17,146		16,903
Sanitary sewer			10,609		10,691
Solid waste and recycling			1,861		1,961
Park services			2,258		2,569
Storm drainage			1,383		1,506
Airport			1,126		1,417
Other			475		671
Cemetery			287		292
Recreation			7,074		7,184
			81,580		81,360
					82,114
Annual surplus					
			7,081		7,788
Accumulated surplus, beginning of year					
			625,425		625,425
Accumulated surplus, end of year					
	Note 14	\$	632,506	\$	633,213
					625,425

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, 2019 (in thousands of dollars)			
	Budget 2019 Note 25	2019	2018
Annual Surplus	\$ 7,081	\$ 7,788	\$ 12,181
Amortization of tangible capital assets	12,116	11,421	11,133
Net loss on sales of assets	-	23	165
Proceeds on sale of tangible capital assets	-	13,299	82
Acquisition of tangible capital assets	-	(9,269)	(13,597)
Acquired tangible capital assets from developers Note 13	-	(3,236)	(2,177)
	12,116	12,238	(4,394)
Consumption of supplies inventories	-	977	1,027
Use of prepaid expenses	-	826	913
Acquisition of supplies inventories	-	(1,007)	(988)
Acquisition of prepaid expenses	-	(791)	(1,326)
	-	5	(374)
Increase in net financial assets	19,199	20,029	7,413
Net financial assets, beginning of year	-	49,197	41,784
Net financial assets, end of year	\$ 19,199	\$ 69,228	\$ 49,197

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, 2019 (in thousands of dollars)

	2019	2018
Operating Activities		
Annual surplus	\$ 7,788	\$ 12,181
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	11,421	11,133
Net loss on disposal of tangible capital assets	23	165
Developer contributions of assets	(3,236)	(2,177)
Increase in landfill remediation liability	48	26
Change in non-cash operating items:		
Decrease/(increase) in accounts receivable	2,568	(957)
(Decrease) in accounts payable and accrued liabilities	(381)	(3,771)
Increase/(decrease) in deferred charges	3,485	(81)
(Decrease) in deferred revenue	(241)	(341)
Actuarial adjustments on debt	(1,657)	(1,508)
(Increase)/decrease in supplies inventories	(30)	39
Decrease/(increase) in prepaid expenses	35	(413)
Decrease in Municipal Finance Authority cash deposits	428	1,598
(Decrease) in Municipal Finance Authority reserves	-	(2,455)
(Increase) in loans receivable	(112)	-
	<u>20,139</u>	<u>13,439</u>
Investing Activities:		
Decrease in portfolio investments	-	5,414
Decrease in land under development	494	30
	<u>494</u>	<u>5,444</u>
Financing Activities:		
Principal payments on debt	(1,800)	(1,798)
Gain on retirement of debt	(1,059)	-
	<u>(2,859)</u>	<u>(1,798)</u>
Capital Activities:		
Proceeds on sale of tangible capital assets	13,299	82
Acquisition of tangible capital assets	(9,269)	(13,597)
	<u>4,030</u>	<u>(13,515)</u>
Increase in cash and cash equivalents	<u>21,804</u>	<u>3,570</u>
Cash and cash equivalents, beginning of year	<u>84,108</u>	<u>80,538</u>
Cash and cash equivalents, end of year	\$ 105,912	\$ 84,108

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, 2019

(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 Public Sector Accounting Standards ("PSAS") established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants.

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, 2019

(tabular amounts in thousands of dollars)

1. Significant Accounting Policies: (continued)

e) Land Held for Resale:

Land held for resale is valued at the lower of cost and net realizable value.

f) Deferred Charges:

Deferred charges are comprised of levied and unused Development Cost Charges and Works Contribution 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), Deferred Charges (note 8) and Deferred Revenue (note 9).

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 long term debt in 2019 was \$1,026,000, (\$1,065,000 in 2018). Gains or losses on repayment of debt is recorded in the Statement of Operations.

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.

During 2018 the City's consultants responsible for reporting to the Province determined there were some discrepancies with the 2016 Closure plan ("the Plan") prepared for the City by external consultants. A revised Operating and Closure plan will be prepared; however, the original Plan will be used for the purposes of calculating the closure and post-closure liability (note 12) until the revised plan is prepared. Due to the identified discrepancies there is additional measurement uncertainty regarding the estimated closure costs and lifespan of the landfill.

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, 2019

(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

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.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

1. Significant Accounting Policies: (continued)

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 PSAS 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) 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, 2019

(tabular amounts in thousands of dollars)

2. Cash and Cash Equivalents:

	2019	2018
Restricted:		
Deferred charges	\$ 16,571	\$ 13,086
Deferred revenue	1,565	1,806
Statutory reserves	3,519	3,442
	21,655	18,334
Unrestricted:	84,257	65,774
	\$ 105,912	\$ 84,108

The City has access to an operating line of credit not exceeding \$2.0 million (2018 - \$2.0 million). Interest is accrued based on Bank of Montreal's prime lending rate. As of December 31, 2019, this line of credit was not being utilized (2018- \$0).

3. Accounts Receivable:

	2019	2018
Property taxes	\$ 3,313	\$ 3,724
Utility billings	7,424	7,037
Other governments	3,328	6,237
Trade and other receivables	3,164	2,822
	17,229	19,820
Allowance for doubtful trade accounts receivable	(102)	(125)
	\$ 17,127	\$ 19,695

4. Loans Receivable

The City has a loan receivable in the amount of \$112,000 (2018 - \$0) from the Vernon Pickleball Association to assist in financing the construction of a Pickleball facility. The loan receivable does not bear interest and is to be repaid in full by December 31, 2029.

5. Municipal Finance Authority Cash Deposits:

The City's debt is issued through the Municipal Finance Authority ("MFA"). As a condition of these borrowings, the City is obligated to lodge security by means of demand notes and interest bearing cash deposits based on the amount of the borrowing. The deposits are included in the City's financial statements as Municipal Finance Authority Cash deposits. If the debt is repaid without default, the deposits are refunded to the City. The demand notes, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default. As at December 31, 2019, there were contingent demand notes of \$723,000 (2018 - \$1,608,000) which are not recorded in the financial statements (note 22(b)). Upon the maturity of a debt issue, the demand notes are released and deposits refunded to the City.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

6. Land held for resale

In 2014, land was transferred back to the City from its wholly owned subsidiary Hesperia Development Corporation and is being held for resale. In 2017, the City entered into a Land Purchase and Development Framework agreement for the sale of another parcel of City owned land. The accumulated value of these lands is \$4,254,000 (2018 - \$4,748,000) which is comprised of the historical cost of the lands plus all prior improvements. Such costs have not been included in tangible capital assets since the land and improvements are subject to resale.

7. Accounts Payable and Accrued Liabilities:

	2019	2018
Trade accounts payable and other accrued liabilities	\$ 15,896	\$ 14,984
Salaries, wages and related costs	5,457	5,055
	<u>21,353</u>	<u>20,039</u>
Deferred revenue		
Prepaid property taxes	4,537	3,969
Deposits and holdbacks	3,409	5,694
Prepaid fees and charges	134	112
	<u>8,080</u>	<u>9,775</u>
	<u>\$ 29,433</u>	<u>\$ 29,814</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

8. Deferred Charges:

Deferred Charges include Works Contribution funds and Development Cost Charges ("DCC's"). Works Contribution funds are charged to developers through a works contribution agreement requiring the City to use funds for future work to, or 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.

	2019	2018
Deferred charges		
DCC - roads	\$ 7,027	\$ 4,363
DCC - storm	2,065	1,915
DCC - sewer	5,380	4,724
DCC - parks	14	-
Works Contributions	2,085	2,084
	<u>\$ 16,571</u>	<u>\$ 13,086</u>
Deferred charges, beginning of year	\$ 13,086	\$ 13,167
DCC's levied during the year	3,943	1,586
Works Contributions received	70	97
Investment income	317	187
Contributions available	<u>17,416</u>	<u>15,037</u>
Less: Capital transfers	520	1,697
Less: Operating transfers	325	254
Deferred charges, end of year	<u>\$ 16,571</u>	<u>\$ 13,086</u>

9. Deferred Revenue:

	2019	2018
Recreation Facility Major Maintenance	\$ 1,565	\$ 1,726
Recreation Facility Replacement (Civic)	-	33
Recreation Facility Operating	-	47
	<u>\$ 1,565</u>	<u>\$ 1,806</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

10. Debt:

	Purpose of Bylaw	Interest Rate %	Year of Maturity	Gross Debt	Sinking Fund Asset	2019 Net Debt	2018 Net Debt
<u>General Purposes:</u>							
4717	Fortis BC Gas Lease *	2.10 %	2019	\$ 24,500	\$ 24,500	\$ -	\$ 2,069
4718	Fortis BC lease*	1.95 %	2037	1,185	1,185	-	1,081
4624	Downtown Revitalization	1.80 %	2020	388	355	33	65
4625	Downtown Revitalization	1.80 %	2020	128	117	11	22
4728	Downtown Revitalization	1.80 %	2020	211	193	18	36
4739	Various	1.80 %	2020	4,675	4,274	401	788
				31,087	30,624	463	4,061
<u>Sewer Purposes:</u>							
4889	Reclaimed Water Line	1.80 %	2020	1,061	970	91	179
4680	Treatment Plant Phase I	1.75 %	2027	5,000	2,707	2,293	2,521
4680	Treatment Plant Phase II	2.40 %	2028	2,038	1,010	1,028	1,116
4791	Water Reclamation Plant	1.80 %	2030	12,556	5,572	6,984	7,498
				20,655	10,259	10,396	11,314
				\$ 51,742	\$ 40,883	\$ 10,859	\$ 15,375

* See Note 17 for capital lease liabilities.

11. Future Payments and Sinking Fund Additions:

	General	Sewer	Total
2020	\$ 290	\$ 541	\$ 831
2021	-	484	484
2022	-	484	484
2023	-	484	484
2024	-	484	484
2025 & thereafter	-	2,504	2,504
	290	4,981	5,271
Actuarial adjustments	173	5,415	5,588
	\$ 463	\$ 10,396	\$ 10,859

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

12. Landfill Remediation Liability

a) 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 waste. 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 the 2016 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% (2018 - 1.5%) and then discounted to the financial reporting date at 1.90% (2018 - 2.31%), 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, 2019 is \$178,000 (2018 - \$130,000), the estimated total expenditures for closure and post-closure care are \$1,626,000 (2018 - \$1,281,000), which leaves \$1,448,000 (2018 - \$1,151,000) remaining to be recognized. The landfill is estimated to have remaining capacity of 855,068 cubic meters (89%) and remaining life of 51 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, 2019 the balance of this reserve is \$312,000 (2018 - \$312,000).

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, 2019

(tabular amounts in thousands of dollars)

13. Tangible Capital Assets:

Cost	December 31, 2018	Additions	Disposals / Writedowns	December 31, 2019
Land	\$ 266,781	\$ 1,654	\$ -	\$ 268,435
Buildings	65,200	2,241	62	67,379
Vehicles	13,723	2,501	42	16,182
Miscellaneous equipment	4,934	680	-	5,614
Information technology	2,706	465	139	3,032
Transportation infrastructure	230,491	6,129	702	235,918
Storm drainage infrastructure	80,222	(420)	107	79,695
Sanitary sewer infrastructure	105,375	(745)	50	104,580
Equipment under capital lease	25,295	-	25,295	-
	<u>\$ 794,727</u>	<u>\$ 12,505</u>	<u>\$ 26,397</u>	<u>\$ 780,835</u>

Accumulated Amortization	December 31, 2018	Amortization	Disposals	December 31, 2019
Buildings	\$ 28,497	\$ 1,671	\$ 54	\$ 30,114
Vehicles	8,283	638	37	8,884
Miscellaneous equipment	1,289	175	-	1,464
Information technology	2,236	188	121	2,303
Transportation infrastructure	113,183	5,575	510	118,248
Storm drainage infrastructure	24,097	1,057	46	25,108
Sanitary sewer infrastructure	30,495	1,395	21	31,869
Equipment under capital lease	11,564	722	12,286	-
	<u>\$ 219,644</u>	<u>\$ 11,421</u>	<u>\$ 13,075</u>	<u>\$ 217,990</u>

Net Book Value	December 31, 2018	December 31, 2019
Land	\$ 266,781	\$ 268,435
Buildings	36,703	37,265
Vehicles	5,440	7,298
Miscellaneous equipment	3,645	4,150
Information technology	470	729
Transportation infrastructure	117,308	117,671
Storm drainage infrastructure	56,125	54,586
Sanitary sewer infrastructure	74,880	72,711
Equipment under capital lease	13,731	-
	<u>\$ 575,083</u>	<u>\$ 562,845</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(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 \$12,717,000 (2018 - \$17,583,000) 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 \$3,236,000 (2018 - \$2,177,000) comprised of transportation infrastructure in the amount of \$1,194,000 (2018 - \$128,000), storm drain infrastructure in the amount of \$315,000 (2018 - \$64,000) and sanitary sewer infrastructure in the amount of \$1,727,000 (2018 - \$49,000) and land in the amount of \$nil (2018 - \$1,936,000).

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, 2019 and 2018.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(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:

	2019	2018
Accumulated surplus per Statement of Financial Position	\$ 633,213	\$ 625,425
Less:		
Tangible capital assets	(562,845)	(575,083)
Debt	10,859	15,375
Inventory of supplies	(483)	(453)
Prepaid expenses	(657)	(692)
	<u>80,087</u>	<u>64,572</u>
Non-Statutory Reserves		
Budget Carryover Reserve General	5,407	2,522
Budget Carryover Reserve Sewer	87	87
Capital Reserves General	16,076	13,202
Capital Reserves Sewer	11,242	12,567
Operating Reserves General	156	207
Tax Equalization Reserves General	5,383	5,439
Tax Equalization Reserves Sewer	14,263	11,587
Special Purpose Reserves	7,312	7,820
Fortis BC Lease Legacy Reserve	13,586	3,092
	<u>73,512</u>	<u>56,523</u>
Statutory Reserve Funds		
Highway Access to Water Reserve	645	630
Land Sale Reserve	436	485
Local Improvement Reserve	886	864
Parkland Reserve	244	238
Recreation Facility Operating Reserve	1,308	1,225
	<u>3,519</u>	<u>3,442</u>
Total Restricted Funds	<u>77,031</u>	<u>59,965</u>
Unappropriated Surplus	<u>\$ 3,056</u>	<u>\$ 4,607</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

15. Taxation Revenue:

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

	2019	2018
Specific assessments:		
Residential	\$ 26,751	\$ 24,370
Business	12,860	12,381
Utilities	301	291
Light industrial	585	551
Non-profit	152	144
Farm land	4	4
	<u>40,653</u>	<u>37,741</u>
Payments in lieu of taxes	1,549	1,544
Specified area taxes and other	160	206
	<u>\$ 42,362</u>	<u>\$ 39,491</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

16. Transfers from Other Governments

	2019	2018
Federal government transfers		
Transportation infrastructure	\$ 3,782	\$ 1,958
Sanitary infrastructure	236	2,156
Recreational initiatives	-	-
Storm infrastructure	298	-
	<u>4,316</u>	<u>4,114</u>
Provincial government transfers		
Transit subsidy	2,341	2,304
Casino revenue sharing	1,859	1,516
Hotel tax	1,107	1,035
Traffic fine revenue sharing	475	461
Keep of Prisoners	182	337
Carbon tax rebate	109	85
Other Transfers	98	4
Union of British Columbia Municipalities grants	69	29
Certificate of Recognition safety program	62	63
Insurance Corporation of BC	56	20
Municipal Insurance Association	31	7
Transportation infrastructure	30	437
Tourism BC	25	25
Emergency Management BC	(4)	94
	<u>6,440</u>	<u>6,417</u>
Other government transfers		
Recreational initiatives	336	6,509
Okanagan Basin Water Board	91	90
Regional initiatives	71	4
Community development initiatives	27	339
	<u>525</u>	<u>6,942</u>
Total transfers from other governments	<u>\$ 11,281</u>	<u>\$ 17,473</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

17. Natural Gas System Lease Agreements:

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

a) Leased tangible capital assets:

Under the terms of the agreement, the City 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 prepaid \$23,750,000 of the capital lease obligation and financed the prepayment through debenture debt (Debt Bylaw # 4717, note 10). The remaining obligation, which was included in debt, required the City to make annual lease payments of \$127,884 including interest based on Fortis BC-approved pre-tax weighted average cost of capital of 9.85%. During 2019 Fortis BC exercised their termination option, based on the terms of the lease, and made a payment to the City equal to the unamortized portion of the City's \$23,750,000 prepayment of the leased tangible capital assets, which was \$12,239,000. The remaining obligation, which was included in debt, was forgiven by Fortis BC upon termination of the operating lease, and had a balance of \$1,059,000.

b) Operating Lease:

The City had entered into a 17-year operating lease that commenced December 1, 2002 whereby the City leased back to Fortis BC the operation of the gas distribution system. Under the operating lease, Fortis BC was obligated to make annual lease payments to the City that was calculated by a formula specified in the agreement based on the total annual revenue generated by the transaction. The lease revenue in 2019 was \$1,832,000, (\$1,874,000 in 2018).

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

a) Water Agreement

The City has entered into a five-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 5-year agreement expiring January 31, 2018. 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, 2023.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

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

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, 2018. This agreement transfers the legal interest in Vernon fields and beaches (previously designated as "sub-regional parks") to the City. As per the requirements of the agreement, the City has a Parks DCC bylaw approved by the Ministry of Housing and Municipal Affairs ("the Ministry"). Prior to the City's Parks DCC bylaw being approved by the Ministry, Parks DCCs were collected under the Regional District's Parks DCC bylaw with an allocation based on contributions from each jurisdiction. The amount allocated to the City as of December 31, 2019 was \$6,518,000 (2018 - \$4,379,000), which is not recognized in the financial statements.

c) Recreation Agreements

The City has entered into a 5-year agreement with the Regional District to assume the responsibility for the management and operation of local recreational facilities commencing January 1, 2019. The new agreement maintains the commitment to transfer 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 \$47,883,000 (2018 \$36,582,000) have not yet been transferred to the City as of December 31, 2019. The agreement expires December 31, 2023.

19. Expenses by Object:

	2019	2018
Salaries and wages	\$ 30,289	\$ 27,622
Contracted services	18,596	22,219
RCMP contract	9,672	8,337
Amortization of tangible assets	11,421	11,132
Supplies, materials and other	3,610	5,157
Bank charges and net loss on capital assets	1,251	1,351
Utilities, telephone and insurance	4,352	4,271
Equipment charges	2,169	2,025
	<u>\$ 81,360</u>	<u>\$ 82,114</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 paid in full in the amount of \$1,310,000 upon occupancy by BC Transit of the site in November 2011 and is included in note 7 as an accrued liability.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

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.

	2019	2018
Trust Fund Continuity:		
Balance, beginning of year	\$ 848	\$ 813
Interest earned	22	16
Proceeds from plot sales and memorial settings	32	35
Transfers to general fund for maintenance	(22)	(16)
Balance, end of year	\$ 880	\$ 848

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 B.C. 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, 2019

(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 trustee pension plan. The board of trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2018, the Plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from local 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 valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The City paid \$2,391,000 (2018 - \$2,217,000) for employer contributions while employees contributed \$2,033,000 (2018 - \$1,884,000) to the Plan in fiscal 2019.

The next valuation will be as at December 31, 2020, with results available in 2022.

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

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 property was being developed by the wholly-owned subsidiary, the Hesperia Development Corporation. The amount of the Letter of Credit is \$716,000. As of December 31, 2019, no drawing on the Letter of Credit has occurred (2018 - \$0).

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

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 can not be attributed directly to other segments including taxation, grants in lieu, interest revenue and property rental revenue.

b) Protective Services:

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

- Police services are contracted to the RCMP with support assistance from municipal staff. The City is home to 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 measures is responsible for emergency planning within the community and is engaged when more than one individual member is affected by an emergency situation.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

23. Segmented Information: (continued)

c) Community Infrastructure:

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.
- Buildings 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 Planning and Operations.

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 and recreation 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, 2019
(tabular amounts in thousands of dollars)

24. Segmented Disclosure:

	General Government	Protective Services	Community Infrastructure	Recreation	Operations Services	Sanitary Sewer	2019	2018
Revenue								
Taxation	\$ 42,305	\$ -	\$ -	\$ 35	\$ -	\$ 22	\$ 42,362	\$ 39,491
Sale of services	2,435	238	2,036	3,718	5,133	9,913	23,473	23,213
Government transfers	6,690	788	283	353	2,839	328	11,281	17,473
Fiscal services	3,451	-	-	-	-	-	4,668	4,924
Developer contributions of assets	-	-	153	-	1,463	1,934	3,550	4,128
Services to other governments	641	286	232	1,127	416	497	3,199	3,192
Natural gas system agreement	1,832	-	-	-	-	-	1,832	1,874
	\$ 57,354	\$ 1,312	\$ 2,704	\$ 5,233	\$ 9,851	\$ 12,694	\$ 89,148	\$ 94,295
Expenses								
Salaries and wages	8,175	7,895	3,974	4,097	3,767	2,381	30,289	27,622
Contracted services	2,611	513	2,127	1,116	10,582	1,647	18,596	22,219
RCMP contract	-	9,672	-	-	-	-	9,672	8,337
Amortization of tangible assets	1,707	342	-	26	6,708	2,638	11,421	11,132
Supplies, materials and other	(1,456)	370	370	629	1,465	2,232	3,610	5,157
Bank fees and net loss on assets	511	-	-	47	281	412	1,251	1,351
Utilities, telephone and insurance	725	203	11	1,213	1,202	998	4,352	4,271
Equipment charges	106	221	90	56	1,313	383	2,169	2,025
	12,379	19,216	6,572	7,184	25,318	10,691	81,360	82,114
Excess (deficiency) revenue over expenses	\$ 44,975	\$ (17,904)	\$ (3,868)	\$ (1,951)	\$ (15,467)	\$ 2,003	\$ 7,788	\$ 12,181

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

(tabular amounts in thousands of dollars)

25. Budget Data:

The budget data presented in these consolidated financial statements is based upon the 2019 operating and capital budgets approved by Council on January 27, 2019. The schedule below reconciles the approved budget in bylaw #5732 to the budget figures reported in these consolidated financial statements.

	Budget Amount
Revenue:	
Operating budget	\$ 116,039
Capital budget	17,505
	<u>133,544</u>
Less:	
Transfers from other funds and reserves	11,850
Collections for other governments	33,033
	<u>(44,883)</u>
Total Revenue	<u>88,661</u>
Expenses:	
Operating budget	125,029
Capital budget	21,902
	<u>146,931</u>
Less:	
Capital expenses	21,902
Transfers to other funds and reserves	8,616
Debt principal payments	1,800
Collections for other governments	33,033
	<u>(65,351)</u>
Total Expenses	<u>81,580</u>
Annual Surplus	<u>\$ 7,081</u>

26. Subsequent Events

Subsequent to December 31, 2019 the coronavirus disease (COVID-19) was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including Canada, to enact emergency measures to combat the spread of COVID-19. The Province of British Columbia declared a State of Emergency which, combined with various orders by the Province's public health officer, has caused material disruption to businesses throughout the Province. The current situation is dynamic and the duration and financial impact of COVID-19 on the economy and the City is not known, an estimate of the financial effect on the City is not practicable at this time.