

THE CORPORATION OF THE CITY OF VERNON



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

December 31, 2018

The Corporation of the City of Vernon

December 31, 2018

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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 blue ink, appearing to be "B.", written over a horizontal line.

Chief Administrative Officer

A handwritten signature in blue ink, appearing to be "Law", written over a horizontal line.

Director of Financial Services

May 13, 2019



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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 Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- 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 Entity as at December 31, 2018, and its consolidated results of operations, its consolidated changes in net financial assets 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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 13, 2019

Vernon, Canada

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



December 31, 2018 (in thousands of dollars)

2018

2017

Financial Assets

Cash and cash equivalents	Note 2	\$ 84,108	\$ 80,538
Portfolio investments	Note 3	-	5,414
Accounts receivable	Note 4	19,695	18,738
Municipal Finance Authority cash deposits	Note 5	857	2,455
Land under development	Note 6	4,748	4,778
		<u>109,408</u>	<u>111,923</u>

Liabilities

Accounts payable and accrued liabilities	Note 7	29,814	33,585
Deferred charges	Note 8	13,086	13,167
Deferred revenue	Note 9	1,806	2,147
Municipal Finance Authority reserves	Note 5	-	2,455
Debt	Note 10 & 11	15,375	18,681
Landfill remediation liability	Note 12	130	104
		<u>60,211</u>	<u>70,139</u>
		<u>49,197</u>	<u>41,784</u>

Net Financial Assets

Non-financial Assets

Tangible capital assets	Note 13	575,083	570,690
Inventory of supplies		453	492
Prepaid expenses		692	278
		<u>576,228</u>	<u>571,460</u>

Accumulated Surplus

Note 14	\$ 625,425	\$ 613,244
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Commitments and contingent liabilities

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 2018 Note 25	Actual 2018	Actual 2017
For the year ended December 31, 2018 (in thousands of dollars)				
Revenue				
Taxation	Note 15	\$ 39,923	\$ 39,491	\$ 37,368
Government transfers	Note 16	8,275	17,473	17,322
Services provided to other governments		3,172	3,192	3,495
Sale of services:				
Sewer fees and charges		9,468	9,645	9,453
Environmental health		2,080	2,307	2,173
Recreation fees		2,429	2,390	2,370
Public transit and parking		2,050	2,241	2,008
Fines and rentals		1,491	1,544	1,676
Licenses and permits		1,397	2,064	1,856
Airport		1,014	1,255	945
Other		1,068	1,572	1,015
Development fees		147	195	134
Fiscal services:				
Penalties, interest earned and actuarial adjustments		1,239	4,924	3,041
Natural gas system lease agreements	Note 17	1,930	1,874	1,911
Developer contributions of assets	Note 13	1,528	4,128	5,466
		77,211	94,295	90,233
Expenses				
	Note 19 & 24			
General government and common services		10,116	10,150	10,408
Bylaw compliance and parking control		1,274	1,391	1,263
Protective Services:				
Police		12,844	11,262	11,733
Fire and rescue		5,815	6,176	5,583
Emergency measures		209	291	592
Planning and building inspection		2,746	2,649	2,456
Engineering		3,961	2,731	2,973
Operations Services:				
Road transportation		16,395	16,391	15,193
Sanitary sewer		10,288	9,981	9,741
Solid waste and recycling		1,827	1,899	1,801
Park services		2,123	2,151	1,928
Storm drainage		1,336	1,571	1,509
Airport		1,089	1,180	2,278
Other		553	668	540
Cemetery		277	384	295
Recreation		6,197	13,239	13,632
		77,050	82,114	81,925
Annual surplus		161	12,181	8,308
Accumulated surplus, beginning of year		613,244	613,244	604,936
Accumulated surplus, end of year	Note 14	\$ 613,405	\$ 625,425	\$ 613,244

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, 2018 (in thousands of dollars)	Budget		
	2018	2018	2017
	Note 25		
Annual Surplus	\$ 161	\$ 12,181	\$ 8,308
Amortization of tangible capital assets	11,901	11,133	10,974
Net loss on sales of assets	-	165	743
Proceeds on sale of tangible capital assets	-	82	44
Acquisition of tangible capital assets	(13,431)	(13,597)	(8,905)
Acquired tangible capital assets from developers	Note 13	(2,177)	(2,889)
	(1,530)	(4,394)	(33)
Consumption of supplies inventories	-	1,027	773
Use of prepaid expenses	-	913	878
Acquisition of supplies inventories	-	(988)	(768)
Acquisition of prepaid expenses	-	(1,326)	(618)
	-	(374)	265
Increase in net financial assets	(1,369)	7,413	8,540
Net financial assets, beginning of year	41,784	41,784	33,244
Net financial assets, end of year	\$ 40,415	\$ 49,197	\$ 41,784

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, 2018 (in thousands of dollars)

	2018	2017
Operating Activities		
Annual surplus	\$ 12,181	\$ 8,308
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	11,133	10,974
Net loss on disposal of tangible capital assets	165	743
Developer contributions of assets	(2,177)	(2,889)
Increase in landfill remediation liability	26	13
Change in non-cash operating items:		
(Increase) in accounts receivable	(957)	(696)
Decrease in Municipal Finance Authority cash deposits	1,598	-
(Decrease) / increase in accounts payable and accrued liabilities	(3,771)	10,330
(Decrease) / increase in deferred charges	(81)	752
(Decrease) in deferred revenue	(341)	(335)
(Decrease) in Municipal Finance Authority reserves	(2,455)	-
Actuarial adjustments on debt	(1,508)	(1,369)
Decrease in supplies inventories	39	5
(Increase) / decrease in prepaid expenses	(413)	260
	13,439	26,096
Investing Activities:		
Decrease / (increase) in portfolio investments	5,414	(13)
Decrease / (increase) in land under development	30	(1,623)
	5,444	(1,636)
Financing Activities:		
Principal payments on debt	(1,798)	(1,800)
	(1,798)	(1,800)
Capital Activities:		
Proceeds on sale of tangible capital assets	82	44
Acquisition of tangible capital assets	(13,597)	(8,905)
	(13,515)	(8,861)
Increase in cash and cash equivalents	3,570	13,799
Cash and cash equivalents, beginning of year	80,538	66,739
Cash and cash equivalents, end of year	\$ 84,108	\$ 80,538

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, 2018

(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 (PSAB) 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, 2018

(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), 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 debt in 2018 was \$1,065,000, (\$1,108,000 in 2017).

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 Operations and Closure Plan (the "Plan") prepared for the City by external consultants. A revised Operations and Closure Plan will be prepared; however, the original Plan will be used for the purposes of calculating the closure and post-closure liability 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 (Note 12).

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, 2018

(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, 2018

(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, 2018

(tabular amounts in thousands of dollars)

2. Cash and Cash Equivalents:

	2018	2017
Restricted:		
Deferred charges	\$ 13,086	\$ 13,167
Deferred revenue	1,806	2,147
Statutory reserves	3,442	3,370
	<u>18,334</u>	<u>18,684</u>
Unrestricted:	65,774	61,854
	<u>\$ 84,108</u>	<u>\$ 80,538</u>

The City has access to an operating line of credit not exceeding \$2.0 million (2017 - \$2.0 million). Interest is accrued based on Bank of Montreal's prime lending rate. As of December 31, 2018, this line of credit was not being utilized (2017- \$0).

3. Portfolio Investments:

Portfolio investments are comprised of pooled investments in the Municipal Finance Authority ("MFA") Bond Fund. As of December 31, 2018, all such investments related to 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:

	2018	2017
Property taxes	\$ 3,724	\$ 4,259
Utility billings	7,037	7,112
Other governments	6,237	4,342
Trade and other receivables	2,822	3,150
	<u>19,820</u>	<u>18,863</u>
Allowance for doubtful trade accounts receivable	(125)	(125)
	<u>\$ 19,695</u>	<u>\$ 18,738</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2018

(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 the borrowing, 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 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, 2018, there were contingent demand notes of \$1,608,000 (2017 - \$1,598,000) 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.

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 (note 26). The accumulated value of \$4,748,000 (2017 - \$4,778,000) 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:

	2018	2017
Trade accounts payable and other accrued liabilities	\$ 14,984	\$ 14,660
Multi-Use Facility expansion unspent deposit	-	6,060
Salaries, wages and related costs	5,055	4,669
	<u>20,039</u>	<u>25,389</u>
Deferred revenue		
Prepaid property taxes	3,969	3,696
Deposits and holdbacks	5,694	4,401
Prepaid fees and charges	112	99
	<u>9,775</u>	<u>8,196</u>
	<u>\$ 29,814</u>	<u>\$ 33,585</u>

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



Year Ended December 31, 2018

(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.

	2018	2017
Deferred charges		
DCC - roads	\$ 4,364	\$ 5,098
DCC - storm	1,915	1,776
DCC - sewer	4,724	4,306
Sidewalk gifting funds	2,084	1,987
	<u>13,086</u>	<u>13,167</u>
Deferred charges, beginning of year	13,167	12,415
DCC's levied during the year	1,586	2,610
Sidewalk gifting funds received	97	208
Investment income	187	84
Contributions available	<u>15,037</u>	<u>15,317</u>
Capital transfers	(1,697)	(1,731)
Operating transfers	(254)	(419)
Deferred charges, end of year	<u>\$ 13,086</u>	<u>\$ 13,167</u>

9. Deferred Revenue:

	2018	2017
Recreation Facility Major Maintenance	\$ 1,726	\$ 1,746
Recreation Facility Replacement (Civic)	33	301
Recreation Facility Operating	47	100
	<u>\$ 1,806</u>	<u>\$ 2,147</u>

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



Year Ended December 31, 2018

(tabular amounts in thousands of dollars)

10. Debt:

	Purpose of Bylaw	Interest Rate %	Year of Maturity	Gross Debt	Sinking Fund Asset	2018 Net Debt	2017 Net Debt
<u>General Purposes:</u>							
4717	Fortis BC Gas Lease *	2.10 %	2019	\$24,500	\$22,430	\$ 2,069	\$ 4,041
4718	Fortis BC Gas Lease *	1.95 %	2037	1,185	104	1,081	1,100
4624	Downtown Revitalization	1.80 %	2020	388	323	65	96
4625	Downtown Revitalization	1.80 %	2020	128	106	22	32
4728	Downtown Revitalization	1.80 %	2020	211	175	36	52
4739	Various	1.80 %	2020	4,675	3,887	788	1,161
				<u>31,087</u>	<u>27,025</u>	<u>4,061</u>	<u>6,482</u>
<u>Sewer Purposes:</u>							
4889	Reclaimed Water Line	1.80 %	2020	1,061	882	179	264
4680	Treatment Plant Phase I	1.75 %	2027	5,000	2,479	2,521	2,740
4680	Treatment Plant Phase II	2.40 %	2028	2,038	922	1,116	1,201
4791	Water Reclamation Plant	1.80 %	2030	12,556	5,058	7,498	7,994
				<u>20,655</u>	<u>9,341</u>	<u>11,314</u>	<u>12,199</u>
				<u>\$51,742</u>	<u>\$36,366</u>	<u>\$15,375</u>	<u>\$18,681</u>

* See note 17 for capital lease liabilities.

11. Future Payments and Sinking Fund Additions:

	General	Sewer	Total
2019	\$ 1,260	\$ 541	\$ 1,801
2020	314	541	855
2021	26	484	510
2022	28	484	512
2023	31	484	515
2024 & thereafter	950	2,988	3,938
	<u>2,609</u>	<u>5,522</u>	<u>8,131</u>
Actuarial adjustments	1,452	5,792	7,244
	<u>\$ 4,061</u>	<u>\$ 11,314</u>	<u>\$ 15,375</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2018

(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 the 2016 Operating and Closure Plan (the "Plan") (Note 1(i)). 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% (2017 - 1.5%) and then discounted to the financial reporting date at 2.31% (2017 - 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, 2018 is \$130,000 (2017 - \$104,000), the estimated total expenditures for closure and post-closure care are \$1,281,000 (2017 - \$1,151,000), which leaves \$1,151,000 (2017 - \$1,047,000) remaining to be recognized. The landfill is estimated to have remaining capacity of 862,760 cubic meters (90%) and remaining life of 52 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, 2018 the balance of this reserve is \$312,000 (2017 - \$292,000).

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, 2018

(tabular amounts in thousands of dollars)

13. Tangible Capital Assets:

Cost	December 31, 2017	Additions	Disposals / Write-downs	December 31, 2018
Land	\$ 263,575	\$ 3,206	\$ -	\$ 266,781
Buildings	65,567	(284)	83	65,200
Vehicles	13,467	447	191	13,723
Miscellaneous equipment	3,102	1,832	-	4,934
Information technology	2,744	156	194	2,706
Transportation infrastructure	224,688	6,148	345	230,491
Storm drainage infrastructure	79,623	723	124	80,222
Sanitary sewer infrastructure	101,867	3,546	38	105,375
Equipment under capital lease	25,295	-	-	25,295
	\$ 779,928	\$ 15,774	\$ 975	\$ 794,727
Accumulated Amortization	December 31, 2017	Amortization	Disposals	December 31, 2018
Buildings	\$ 26,886	\$ 1,667	\$ 56	\$ 28,497
Vehicles	7,853	594	164	8,283
Miscellaneous equipment	1,189	100	-	1,289
Information technology	2,151	237	152	2,236
Transportation infrastructure	108,046	5,406	269	113,183
Storm drainage infrastructure	23,113	1,046	62	24,097
Sanitary sewer infrastructure	29,159	1,360	24	30,495
Equipment under capital lease	10,841	723	-	11,564
	\$ 209,238	\$ 11,133	\$ 727	\$ 219,644
Net Book Value	December 31, 2017			December 31, 2018
Land	\$ 263,575			\$ 266,781
Buildings	38,681			36,703
Vehicles	5,614			5,440
Miscellaneous equipment	1,913			3,645
Information technology	593			470
Transportation infrastructure	116,642			117,308
Storm drainage infrastructure	56,510			56,125
Sanitary sewer infrastructure	72,708			74,880
Equipment under capital lease	14,454			13,731
	\$ 570,690			\$ 575,083

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2018

(tabular amounts in thousands of dollars)

13. Tangible Capital Assets: (continued)

a) Work-in-progress (continued)

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 \$17,853,000 (2017 - \$13,551,000) has not been amortized. Amortization of these assets will commence 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 \$2,177,000 (2017 - \$2,889,000) comprised of transportation infrastructure in the amount of \$128,000 (2017 - \$1,436,000), storm drain infrastructure in the amount of \$64,000 (2017 - \$808,000) and sanitary sewer infrastructure in the amount of \$49,000 (2017 - \$645,000) and land in the amount of \$1,936,000 (2017 - \$nil).

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, 2018 and 2017.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2018

(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:

	2018	2017
Accumulated surplus per Statement of Financial Position	\$ 625,425	\$ 613,244
Less:		
Tangible capital assets	(575,083)	(570,690)
Debt	15,375	18,681
Inventory of supplies	(453)	(492)
Prepaid expenses	(692)	(278)
	<u>64,572</u>	<u>60,465</u>
Non-Statutory Reserves		
Budget Carryover Reserve General	2,522	2,192
Budget Carryover Reserve Sewer	87	49
Capital Reserves General	13,202	13,213
Capital Reserves Sewer	12,567	13,947
Operating Reserves General	207	213
Tax Equalization Reserves General	5,439	6,201
Tax Equalization Reserves Sewer	11,587	8,697
Special Purpose Reserves	7,820	6,154
Fortis BC Lease Legacy Reserve	3,092	3,418
	<u>56,523</u>	<u>54,084</u>
Statutory Reserve Funds		
Highway Access to Water Reserve	630	619
Land Sale Reserve	485	841
Local Improvement Reserve	864	850
Parkland Reserve	238	221
Recreation Facility Operating Reserve	1,225	839
	<u>3,442</u>	<u>3,370</u>
Total Restricted Funds	<u>59,965</u>	<u>57,454</u>
Unappropriated Surplus	<u>\$ 4,607</u>	<u>\$ 3,011</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2018

(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:

	2018	2017
Specific assessments:		
Residential	\$ 24,370	\$ 23,085
Business	12,381	11,599
Utilities	291	272
Light industrial	551	523
Non-profit	144	132
Farm land	4	3
	<hr/>	<hr/>
	37,741	35,614
Payments in lieu of taxes	1,544	1,270
Specified area taxes and other	206	484
	<hr/>	<hr/>
	\$ 39,491	\$ 37,368

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



Year Ended December 31, 2018

(tabular amounts in thousands of dollars)

16. Transfers from Other Governments

	2018	2017
Federal government transfers		
Sanitary infrastructure	\$ 2,156	\$ -
Transportation infrastructure	1,958	1,798
Recreational initiatives	-	80
	<u>4,114</u>	<u>1,878</u>
Provincial government transfers		
Transit subsidy	2,304	2,095
Casino revenue sharing	1,516	1,960
Hotel tax	1,035	738
Traffic fine revenue sharing	461	486
Transportation infrastructure	437	824
Keep of prisoners	337	272
Emergency Management BC	94	419
Carbon tax rebate	85	82
Certificate of Recognition safety program	63	63
UBCM grants	29	14
Tourism BC	25	25
Insurance Corporation of BC	20	149
Municipal Insurance Agency	7	13
Other transfers	4	10
Sanitary infrastructure	-	666
BC Hydro initiatives	-	1
	<u>6,417</u>	<u>7,817</u>
Other government transfers		
Recreational initiatives	6,509	7,235
Community development initiatives	339	6
Okanagan Basin Water Board	90	93
Regional initiatives	4	293
	<u>6,942</u>	<u>7,627</u>
Total transfers from other governments	<u>\$ 17,473</u>	<u>\$ 17,322</u>

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2018

(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 2018 was \$1,874,000, (\$1,911,000 in 2017). 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 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. 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.

b) Parks Agreements

The City entered into a five year agreement with the Regional District to assume responsibility for the management and operation of all parks within its boundaries 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 submitted a Parks DCC bylaw to the Ministry of Community, Sport and Cultural Development for approval. Until Ministry approval is received, Parks DCC's are 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, 2018 was \$4,379,000 (2017 - \$3,410,000), which is not recognized in the financial statements.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2018

(tabular amounts in thousands of dollars)

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

c) Recreation Agreements

The City has entered into a five-year agreement with the Regional District to assume the responsibility for the management and operation of local recreational facilities commencing January 1, 2014. 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 \$36,582,000 plus facilities substantially complete on these lands, with construction costs to date approximating \$13,477,000 have not yet been transferred to the City as of December 31, 2018. This agreement was renewed for a five-year period commencing January 1, 2019.

19. Expenses by Object:

	2018	2017
Salaries and wages	\$ 27,622	\$ 26,609
Contracted services	22,219	21,915
RCMP contract	8,337	8,921
Amortization of tangible assets	11,132	10,974
Supplies, materials and other	5,157	5,363
Bank charges and net loss on capital assets	1,351	2,067
Utilities, telephone and insurance	4,271	4,250
Equipment charges	2,025	1,826
	\$ 82,114	\$ 81,925

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 (see note 7).

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2018

(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.

	<u>2018</u>	<u>2017</u>
Trust Fund Continuity:		
Balance, beginning of year	\$ 813	\$ 783
Interest earned	16	8
Proceeds from plot sales and memorial settings	35	30
Transfers to general fund for maintenance	(16)	(8)
Balance, end of year	<u>\$ 848</u>	<u>\$ 813</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 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, 2018

(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 "Pension Plan"), a jointly trustees pension plan. The board of trustees, representing plan members and employers, is responsible for administering the Pension 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, 2017, the Pension Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local government.

Every three years, an actuarial valuation is performed to assess the financial position of the Pension Plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Pension 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 Pension 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, 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 \$2,217,000 (2017 - \$2,137,000) for employer contributions while employees contributed \$1,884,000 (2017 - \$1,812,000) to the Pension Plan in fiscal 2018.

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 Pension Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Pension 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 is 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, 2018, no drawing on the Letter of Credit has occurred (2017 - \$0).

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2018

(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 linear 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 administrating 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 corporation is 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.

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 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 measures services include a contract to provide services within other jurisdictions of the North Okanagan. This program is responsible for emergency planning within the community and is engaged when more than one individual member may be affected by an emergency situation.

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements



Year Ended December 31, 2018

(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 Services:

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, 2018
(tabular amounts in thousands of dollars)

24. Segmented Disclosure:

	General Government	Protective Services	Community Infrastructure	Recreation	Operations Services	Sanitary Sewer	2018	2017
Revenue								
Taxation	\$ 39,432	\$ -	\$ -	\$ 35	\$ -	\$ 24	\$ 39,491	\$ 37,368
Government Transfers	4,476	918	206	6,510	3,116	2,247	17,473	17,322
Services to other governments	578	411	216	1,100	429	458	3,192	3,495
Sale of services	2,417	274	2,269	3,452	4,946	9,855	23,213	21,268
Fiscal services	4,537	-	-	51	-	336	4,924	3,041
Developer contributions of assets	-	-	10-	-	3,815	303	4,128	5,466
Natural gas system agreement	1,874	-	-	-	-	-	1,874	2,273
	\$ 53,314	\$ 1,603	\$ 2,701	\$ 11,148	\$ 12,306	\$ 13,223	\$ 94,295	\$ 90,233
Expenses								
Salaries and wages	6,586	7,802	3,709	3,904	3,676	1,945	27,622	26,609
Contracted services	2,297	537	1,181	7,209	9,644	1,351	22,219	21,915
RCMP contract	-	8,337	-	-	-	-	8,337	8,921
Amortization of tangible assets	1,810	186	-	15	6,518	2,603	11,132	10,974
Supplies, materials and other	(773)	453	392	898	1,817	2,370	5,157	5,363
Bank fees and net loss on assets	777	-	-	39	138	397	1,351	2,067
Utilities, telephone and insurance	748	205	13	1,113	1,190	1,002	4,271	4,250
Equipment charges	96	209	85	61	1,261	313	2,025	1,826
	11,541	17,729	5,380	13,239	24,244	9,981	82,114	81,925
Excess (deficiency) revenue over expenses	\$ 41,773	\$ (16,126)	\$ (2,679)	\$ (2,091)	\$ (11,938)	\$ 3,242	\$ 12,181	\$ 8,308

The Corporation of the City of Vernon

Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

(tabular amounts in thousands of dollars)

25. Budget Data:

The budget data presented in these consolidated financial statements is based upon the 2018 consolidated financial plan approved by Council on January 22, 2018. The schedule below reconciles the approved budget in Bylaw #5666 to the budget figures reported in these consolidated financial statements.

	Budget Amount
Revenue:	
Operating budget	\$ 111,861
Capital budget	9,757
	<u>121,618</u>
Less:	
Transfers from other funds and reserves	13,071
Collections for other governments	31,336
	<u>(44,407)</u>
Total Revenue	<u>77,211</u>
Expenses:	
Operating budget	119,423
Capital budget	13,431
	<u>132,854</u>
Less:	
Capital expenses	13,431
Transfers to other funds and reserves	9,242
Debt principal payments	1,795
Collections for other governments	31,336
	<u>(55,804)</u>
Total Expenses	<u>77,050</u>
Annual Surplus	<u>\$ 161</u>

26. Subsequent Events

In 2017, the City entered into a Land Purchase and Development Framework agreement (the "agreement") for the conditional sale of City owned land. The agreement was for the City to sell the lands to a developer with an option for the City to enter into a partnership with the developer. If the option is exercised then a partnership between the City and the developer would be created and the lands would be transferred to the partnership as the City's contribution. The option expires 60 days after the issuance of the development permit. After December 31, 2018 the City declined the option and will sell the lands to the developer at the agreed upon price of \$6,493,000.