

TOWN OF OLIVER
Consolidated Financial Statements
For the year ended December 31, 2017

December 31, 2017
Consolidated Financial Statements
For the year ended December 31, 2017

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Management's Responsibility for the Consolidated Financial Statements

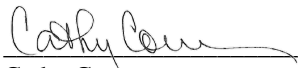
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

Mayor and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. Mayor and Council reviews internal consolidated financial statements on a regular basis and meet with management and the external auditors to review the external audited consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Town of Oliver and meet when required.

On behalf of the Town of Oliver



Cathy Cowan
Chief Administrative Officer



Devon Wannop
Chief Financial Officer

April 23, 2018



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INDEPENDENT AUDITORS' REPORT

To Mayor and Council of the Town of Oliver

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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



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Opinion

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

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Professional Accountants

April 23, 2018

Vernon, Canada

Town of Oliver

Consolidated Statement of Financial Position

December 31	2017	2016
Financial assets		
Cash and cash equivalents (Note 5)	\$ 8,159,716	\$ 6,194,356
Investments	1,989,899	2,267,604
Accounts receivable (Note 7)	929,882	964,082
	<u>11,079,497</u>	<u>9,426,042</u>
Liabilities		
Accounts payable and accrued liabilities (Note 9)	1,235,327	1,053,364
Deferred revenue (Note 10)	1,101,570	1,093,352
Deferred development cost charges (Note 11)	1,548,796	1,446,779
Obligations under capital lease (Note 12)	-	4,120
Debt (Note 13)	4,223,646	4,641,442
	<u>8,109,339</u>	<u>8,239,057</u>
Net financial assets	<u>2,970,158</u>	<u>1,186,985</u>
Non-financial assets		
Prepaid expenses	7,377	32,665
Inventory	40,209	95,208
Tangible capital assets (Note 14)	50,939,573	51,607,219
	<u>50,987,159</u>	<u>51,735,092</u>
Accumulated surplus (Schedule 2)	<u>\$ 53,957,317</u>	<u>\$ 52,922,077</u>

Contingent liabilities (Note 21)

On behalf of the Town of Oliver



Chief Financial Officer

Town of Oliver

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
User fees	\$ 3,237,774	\$ 3,339,848	\$ 3,174,073
Property taxation (Note 15)	2,356,175	2,161,181	2,072,208
Government transfers (Note 16)	2,315,958	944,577	1,762,220
Concessions and franchise	349,898	372,242	384,254
Gain on disposal of tangible capital assets	-	437,983	271,114
Other revenue from own sources (Note 17)	430,192	337,346	266,341
Sale of services	132,444	210,252	178,870
Investment income	50,000	211,342	101,353
Development cost charges	18,000	5,555	33,541
Contributions from developers and others	7,000	12,082	13,139
	<u>8,897,441</u>	<u>8,032,408</u>	<u>8,257,113</u>
Expenses (Schedule 3)			
Water services	2,745,791	2,543,929	2,752,479
Transportation services	1,595,971	1,305,771	1,296,096
General government services	1,166,050	1,073,445	994,988
Sewer services	1,154,443	1,093,452	896,922
Development services	356,938	352,124	381,880
Protective services	411,375	369,432	363,076
Environmental and public health services	272,899	259,015	249,409
	<u>7,703,467</u>	<u>6,997,168</u>	<u>6,934,850</u>
Annual surplus	1,193,974	1,035,240	1,322,263
Accumulated surplus, beginning of year	<u>52,922,077</u>	<u>52,922,077</u>	51,599,814
Accumulated surplus, end of year	<u>\$ 54,116,051</u>	<u>\$ 53,957,317</u>	<u>\$ 52,922,077</u>

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

Town of Oliver

Consolidated Statement of Changes in Net Financial Assets (Debt)

For the year ended December 31	2017 Budget	2017 Actual	2016 Actual
Annual surplus	\$ 1,193,974	\$ 1,035,240	\$ 1,322,263
Acquisition of tangible capital assets	(3,689,500)	(763,228)	(1,369,936)
Amortization of tangible capital assets (Schedule 1)	1,518,899	1,341,367	1,300,805
Gain on disposal of tangible capital assets	-	(437,983)	(271,114)
Proceeds on disposal of tangible capital assets	-	527,490	271,114
Change in inventory and prepaid expenses	-	80,287	(33,256)
Increase (decrease) in net financial assets	(976,627)	1,783,173	1,219,876
Net assets (debt), beginning of year	1,186,985	1,186,985	(32,891)
Net financial assets, end of year	\$ 210,358	\$ 2,970,158	\$ 1,186,985

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

Town of Oliver
Consolidated Statement of Cash Flows
For the year ended December 31

	2017	2016
Operating transactions		
Annual surplus	\$ 1,035,240	\$ 1,322,263
Items not involving cash		
Amortization	1,341,367	1,300,805
Gain on disposal of tangible capital assets	(437,983)	(271,114)
Actuarial adjustments on debt	(48,532)	(41,221)
 (Increase) decrease in		
Accounts receivable	34,200	(66,373)
Prepaid expenses	25,288	(17,006)
Inventory	54,999	(16,250)
 Increase (decrease) in		
Accounts payable and accrued liabilities	181,963	(93,608)
Deferred revenue	8,218	(205,104)
Deferred development cost charges	102,017	202,905
	<u>2,296,777</u>	<u>2,115,297</u>
 Capital transactions		
Acquisition of tangible capital assets	(763,228)	(1,369,936)
Proceeds on disposal of tangible capital assets	527,490	271,114
	<u>(235,738)</u>	<u>(1,098,822)</u>
 Investment transaction		
Proceeds from (additions to) investments	<u>277,705</u>	(38,690)
 Financing transactions		
Repayment of debt	(369,264)	(290,421)
Proceeds from issuance of debt	-	352,250
Repayment of obligations under capital lease	(4,120)	(62,291)
	<u>(373,384)</u>	<u>(462)</u>
 Net change in cash and cash equivalents	1,965,360	977,323
 Cash and cash equivalents, beginning of year	<u>6,194,356</u>	<u>5,217,033</u>
 Cash and cash equivalents, end of year	<u>\$ 8,159,716</u>	<u>\$ 6,194,356</u>
 Supplementary cash flow information		
Interest paid	\$ 208,565	\$ 215,049

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

Town of Oliver

Notes to Consolidated Financial Statements

December 31, 2017

Notes to the consolidated financial statements are an integral part of the statements. They explain the significant accounting and reporting policies and principles underlying these statements. They also provide relevant supplementary information and explanations which cannot be conveniently expressed in the financial statements.

1. Nature of Business

The Town was incorporated as a District Municipality in 1925 under the Municipal Act (now a combination of the Community Charter and the Local Government Act), a statute of the Province of British Columbia. Effective April 1, 2008, the articles of incorporation of the Municipality were changed by an Order in Council of the provincial government to reflect a change in its name to the Town of Oliver. Its principal activities include the provision of local government services to the residents of the incorporated area. These services include community planning, protective, transportation, recreational, solid waste, water, sewer and drainage services.

2. Management Responsibility

The consolidated financial statements are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards and prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Professional Accountants. The preparation of consolidated 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.

3. Summary of Significant Accounting Policies

The following is a summary of the Town's significant accounting policies:

Basis of Presentation and Principles of Consolidation

The Town's resources and operations are segregated into General, Water, Sewer, Statutory Reserves and Non-statutory Reserve Funds for accounting and financial reporting purposes. The financial statements include all of the accounts of these funds. All inter-fund transactions and balances have been eliminated on consolidation.

Basis of Accounting

The Town's consolidated financial statements are prepared using the accrual basis of accounting.

Budget Figures

The budget figures are from the 5-Year Financial Plan Bylaw that was adopted on April 24, 2017 (Note 23).

Cash and Cash Equivalents

Cash and equivalents consist of cash, bank balances, highly liquid money market investments and short-term investments with maturities of less than 90 days at acquisition.

Portfolio Investments

Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature, in which case, the investments are written down to market value.

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

3. Summary of Significant Accounting Policies (continued)

Investments

Investments are deposited with the Municipal Finance Authority and are held in short term bonds and money market fund. All investments are recorded at cost.

Inventory

Inventory is valued at the lower of cost, determined principally on a weighted average and specific item basis, or replacement cost.

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Town:
 - a. is directly responsible; or
 - b. accepts responsibility; and
- iv. a reasonable estimate of the amount can be made. The liability includes costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.

Management has assessed its potential liabilities under the new standard including sites that are no longer in productive use and sites which the Town accepts responsibility. No such sites have been identified, therefore no liability has been recognized.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Trust Funds

Trust funds, held in trust by the Town and their related operations, are not included in these consolidated financial statements. The financial activity and position of the trust funds are reported separately.

Capital Leases

Capital lease obligations are recorded at the present value of minimum lease payments excluding executor costs. The discount rate used to determine the present value of the lease payments is the lower of the Town's rate for incremental borrowing or the interest rate implicit in the lease. Note 12 provides a schedule of repayments and the amount of interest on leases.

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

3. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives according to an estimated useful life as follows:

General Capital Fund	Estimated Useful Life
Land	Indefinite
Buildings	20 to 100 years
Equipment	5 to 50 years
Vehicles	10 to 20 years
Roads	40 years
Water System Capital Fund	
Water infrastructure	20 to 80 years
Sewer System Capital Fund	
Sewer infrastructure	20 to 80 years
Storm system	30 to 80 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

The Town has numerous works of art located throughout the Town which are not reflected in these consolidated financial statements.

Work in Progress

Work in progress represents capital projects under construction but not yet completed and are valued at cost. Amortization commences once the individual projects are completed.

Debt

Outstanding debt is reported net of applicable sinking fund balances.

Debt Charges

Interest on debt is charged to current operations. Interest charges are accrued for the period from the date of the latest interest payment to the end of the year.

Reserve Funds

Non-statutory reserves represent an appropriation of surplus for specific purposes. Statutory reserves are restricted by the Community Charter and the associated municipal bylaws that established the reserves (Schedule 2).

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

3. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Taxation revenues are recorded on the accrual basis and recognized when earned. Sale of services and user fee revenues are recognized when the service or product is provided by the Town. Concession and franchise and other revenue are recorded as it is earned and measurable. Transfers from other governments are recognized as revenue in the period that the transfer is authorized, eligibility criteria, if any, have been met by the Town, and a reasonable estimate of the amount to be received can be made unless the transfer agreements contain stipulations that create a liability in which case the revenue is recognized over the period that the liability is extinguished. Contributions from developers and others are recognized as revenue during the period in which the related costs are incurred. Investment income is recorded on the accrual basis and recognized when earned. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the Town discharges the obligation that led to the collection of funds.

Expenses

Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

Use of Estimates

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 areas requiring the use of management estimates relate to the determination of provision for contingencies and tangible capital assets estimated useful life and related amortization expense. Actual results could differ from management's best estimates as additional information becomes available. Adjustments, if any, will be reflected in the financial statements in the period that the change in estimate is made, as well as the period of settlement if the amount is different.

Town of Oliver

Notes to Consolidated Financial Statements

December 31, 2017

4. Future Accounting Changes

PS 2200 - Related Party Transactions

This new section defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties unrelated. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 2601 - Foreign Currency Translation

This section revises and replaces the existing Section PS 2600 *Foreign currency translation*. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

PS 3041 - Portfolio Investments

This section revises and replaces the existing Section PS 3040 *Portfolio investments*. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

PS 3210 - Assets

This section provides guidance for applying the definition of an asset set out in Section PS 1000 *Financial statement concepts* and establishes general disclosure standards for assets. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3320 - Contingent Assets

This section defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events, not wholly within the public sector entity's control, occur or fail to occur and that resolution will confirm the existence or non-existence of an asset. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3380 - Contractual Rights

This section defines a contractual right and establishes disclosures required for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required, including a description about their nature and extent and timing. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3420 - Inter-entity Transactions

This section establishes how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3450 - Financial Instruments

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

The Town does not intend on early adopting any of the above future accounting changes.

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

5. Cash and Cash Equivalents

Cash and cash equivalents are recorded at cost. Cash and cash equivalents are comprised of the following:

	<u>2017</u>	<u>2016</u>
Cash	\$ 1,659,716	\$ 2,668,706
Guaranteed Investment Certificates	<u>6,500,000</u>	<u>3,525,650</u>
	<u>\$ 8,159,716</u>	<u>\$ 6,194,356</u>

6. Operating Line of Credit

The Town has an operating line of credit with Valley First Credit Union for an authorized amount of \$100,000, bearing interest at the bank's prime rate. At December 31, 2017, the balance outstanding on the operating line of credit was \$nil (2016 - \$nil).

7. Accounts Receivable

Accounts receivable are recorded net of allowances and are comprised of the following:

	<u>2017</u>	<u>2016</u>
Utilities	\$ 406,932	\$ 410,760
Trade receivables	286,807	320,591
Property tax	186,991	195,186
Due from other governments	<u>49,152</u>	<u>37,545</u>
	<u>\$ 929,882</u>	<u>\$ 964,082</u>

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

8. Municipal Finance Authority Debt Reserve

The Town issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld as cash deposits by the Municipal Finance Authority as a debt reserve fund.

The Town also executes demand notes in connection with each debenture whereby the Town may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature and are not reflected in the accounts.

The details of the cash deposits and demand notes at year end are as follows:

	Demand Notes	Cash Deposits	2017	2016
General Fund	\$ 7,847	\$ 3,146	\$ 10,993	\$ 10,975
Water Fund	331,953	80,231	412,184	411,745
	\$ 339,800	\$ 83,377	\$ 423,177	\$ 422,720

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2017	2016
Trade payables	\$ 536,190	\$ 617,115
Security deposits	490,618	210,968
Wages and benefits	155,355	123,343
Project holdbacks	19,206	65,240
Accrued interest	33,958	36,698
	\$ 1,235,327	\$ 1,053,364

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

10. Deferred Revenue

The Town records deferred revenue for the funds received in advance of services not yet rendered and is recognized into revenue during the period in which the services are provided. Due to the restrictive nature of these funds, they are shown as liabilities.

	Balance, beginning of year	Received or receivable	Revenue earned	Balance, end of year
Federal gas taxes	\$ -	\$ 258,827	\$ (258,827)	\$ -
Government grants	525,000	150,132	(91,288)	583,844
Prepaid airport leases	261,536	5,775	(9,565)	257,746
Prepaid taxes	267,778	259,980	(267,778)	259,980
Prepaid business licenses	39,038	-	(39,038)	-
	\$ 1,093,352	\$ 674,714	\$ (666,496)	\$ 1,101,570

The cost of the land held for leasing purposes related to the above prepaid airport leases is \$88,208 (2016 - \$88,208).

11. Deferred Development Cost Charges ("DCC")

Pursuant to the provisions of the Local Government Act, DCC's are held in separate reserve funds for the purpose for which the charges have been imposed. When the related costs are incurred, the DCC's are recognized as revenue. Due to the restrictive nature of these funds, they are shown as liabilities.

	2017	2016
Balance, beginning of year	\$ 1,446,779	\$ 1,243,874
Contributions from developers	84,830	225,242
Interest on investments	22,742	11,204
Bylaw expenses	(5,555)	(33,541)
	\$ 1,548,796	\$ 1,446,779

The balance of deferred development cost charges can be itemized as follows:

Park DCC	\$ 760,718	\$ 721,479
Road DCC	695,511	650,809
Water system DCC	86,339	74,491
Sewer DCC	6,228	-
	\$ 1,548,796	\$ 1,446,779

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

12. Obligations under Capital Lease

The Town of Oliver had entered into two lease agreements for specific equipment.

	<u>2017</u>	<u>2016</u>
Fire truck lease with monthly payments of \$2,136, including interest at a rate of 2.00%, matured during the year.	-	4,120
	<u>\$ -</u>	<u>\$ 4,120</u>

Obligations under capital lease are secured by the leased asset. Interest paid relating to the above obligations on capital leases was \$151 (2016- \$1,647). The future minimum lease payments are:

	<u>2017</u>	<u>2016</u>
2017	<u>\$ -</u>	<u>\$ 4,271</u>
Total minimum lease payments	-	4,271
Less: amount representing interest as stated above	-	(151)
Balance of obligation	<u>\$ -</u>	<u>\$ 4,120</u>

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

13. Debt

	Balance, beginning of year	Proceeds	Sinking fund payments	Actuarial adjustments	Balance, end of year	Current interest rate (%)
General capital fund						
MFA issue #104	\$ 166,727	\$ -	\$ 8,296	\$ 2,985	\$ 155,446	5.15
Water system capital fund						
MFA issue #85	118,175	-	6,891	5,485	105,799	4.98
MFA issue #85	49,372	-	2,880	2,291	44,201	4.98
MFA issue #85	94,200	-	5,493	4,372	84,335	4.98
MFA issue #85	5,043	-	294	234	4,515	4.98
MFA issue #95	88,869	-	5,984	2,587	80,298	1.80
MFA issue #104	1,295,592	-	63,003	23,221	1,209,368	5.15
MFA issue #111	1,645,134	-	159,642	-	1,485,492	3.55
MFA issue #121	336,080	-	43,311	7,357	285,412	2.90
MFA issue #139	842,250	-	73,470	-	768,780	1.38
	4,474,715	-	360,968	45,547	4,068,200	
Total debt	\$ 4,641,442	\$ -	\$ 369,264	\$ 48,532	\$ 4,223,646	

The requirements for future repayments of principal on existing debt for the next five years are as follows:

	2018	2019	2020	2021	2022
General Fund	\$ 8,098	\$ 8,098	\$ 8,098	\$ 8,098	\$ 8,098
Water Fund	366,316	371,843	377,555	383,459	389,560
	\$ 374,414	\$ 379,941	\$ 385,653	\$ 391,557	\$ 397,658

The gross interest paid in 2017 was \$207,397 (2016 - \$213,998) and interest payable at December 31, 2017 was \$33,958 (2016 - \$36,698).

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

14. Tangible Capital Assets

Tangible capital assets consist of the following:

	2017	2016
	Net	Net
	book value	book value
General Capital Fund		
Land	\$ 10,813,391	\$ 10,843,452
Buildings	1,392,761	1,429,168
Equipment	455,551	380,677
Vehicles	862,126	1,004,356
Roads	8,183,788	8,142,246
Work in progress	188,804	472,536
	21,896,421	22,272,435
Water System Capital Fund		
Water infrastructure	20,856,095	21,157,122
Work in progress	237,104	22,822
	21,093,199	21,179,944
Sewer System Capital Fund		
Sewer infrastructure	7,447,505	7,618,515
Storm infrastructure	497,876	508,155
Work in progress	4,572	28,170
	7,949,953	8,154,840
Total tangible capital assets	\$ 50,939,573	\$ 51,607,219

The net book value of tangible capital assets not being amortized and under construction is \$430,480 (2016 - \$523,528). Contributed tangible capital assets received in the year from developers and recorded on the financial statements is \$nil (2016 - \$nil).

Included in the cost of vehicles are vehicles under capital lease with a cost of \$272,729 (2016 - \$272,729) and related accumulated amortization of \$254,547 (2016 - \$250,002).

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

15. Property Taxation

Property taxation revenue is comprised of the following amounts raised, less collections on behalf of other governments:

	<u>2017</u>	<u>2016</u>
General municipal purposes	\$ 2,161,181	\$ 2,072,208
Collections for other governments:		
School District #53 (Okanagan-Similkameen)	2,059,425	2,145,575
Regional District of the Okanagan-Similkameen	1,231,973	1,179,646
Policing	270,502	271,724
Okanagan-Similkameen Regional Hospital District	285,128	277,069
Okanagan Regional Library	182,272	182,944
British Columbia Assessment Authority	45,793	51,907
Sterile Insect Release Board	3,976	4,891
Municipal Finance Authority	185	175
	4,079,254	4,113,931
Paid to other governments:		
School District #53 (Okanagan-Similkameen)	(2,059,425)	(2,145,575)
Regional District of the Okanagan-Similkameen	(1,231,973)	(1,179,646)
Policing	(270,502)	(271,724)
Okanagan-Similkameen Regional Hospital District	(285,128)	(277,069)
Okanagan Regional Library	(182,272)	(182,944)
British Columbia Assessment Authority	(45,793)	(51,907)
Sterile Insect Release Board	(3,976)	(4,891)
Municipal Finance Authority	(185)	(175)
	(4,079,254)	(4,113,931)
	\$ 2,161,181	\$ 2,072,208

16. Government Transfers

In 2017 the Town received and recorded as revenue the following transfers:

	<u>2017</u>	<u>2016</u>
Operating Transfers		
Provincial	\$ 582,680	\$ 576,007
Federal	12,452	14,364
	595,132	590,371
Capital Transfers		
Federal	349,445	1,171,849
	\$ 944,577	\$ 1,762,220

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

17. Other Revenue From Own Sources	<u>2017</u>	<u>2016</u>
Cemetery fees	\$ 51,573	\$ 56,757
Development permits	154,737	81,931
Licences and permits	19,555	22,527
Penalties and interest on taxes	66,229	67,472
Miscellaneous	45,252	37,654
	<u>\$ 337,346</u>	<u>\$ 266,341</u>

18. Trust Funds

Funds held in trust and administered by the Town, which are not included in these consolidated financial statements, are as follows:

Cemetery Care Fund:

Assets	<u>2017</u>	<u>2016</u>
Cash and short term deposits	\$ 394,531	\$ 382,077
Reserve Fund		
Balance, beginning of year	\$ 382,077	\$ 389,434
Interest earned	5,896	3,346
Net contributions (withdrawals)	6,558	(10,703)
Balance, end of year	<u>\$ 394,531</u>	<u>\$ 382,077</u>

19. Letters of Credit

The Town is holding letters of credit in the amount of \$1,050,825 (2016 - \$1,357,725), which are received as security related to performance deposits. These amounts are not reflected in the consolidated financial statements but are available to satisfy any liabilities arising from the non-performance by depositors.

20. Expenses by Object

Total consolidated expenses by object are itemized in Schedule 3.

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

21. Contingent Liabilities

Regional District of Okanagan-Similkameen

Regional District debt is, under the provisions of the *Local Government Act*, a direct, joint and several liability of the District and each member municipality within the Regional District including the Town of Oliver. The loan agreements with the Regional District of Okanagan-Similkameen and the Municipal Finance Authority provide that if at any time the scheduled payments provided for in the agreements are not sufficient to meet the Authority's obligation with respect to such borrowing, the resulting deficiency becomes the liability of the member municipalities.

Pension Liability

The Town 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. The Plan has approximately 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local government.

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

The most recent 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 Town paid \$158,252 (2016 - \$155,667) for employer contributions while employee contributions were \$140,970 (2016 - \$135,572) to the Plan in fiscal 2017.

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

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

Town of Oliver
Notes to Consolidated Financial Statements
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22. Segmented Information

Oliver is a diversified municipal government that provides a wide range of services to its citizens. The Town's operations and activities are organized and reported by funds and departments. The General Fund reports on operations, funded primarily by property taxes, which include services provided by the Town such as general government services, protective services, development services, transportation services and public works, and environmental health and public health services. The utility operations are comprised of the water and sewer system, each accounting for its own operations and programs within their own funds.

General government services

General government operations are primarily funded by property taxation and business tax revenues. The expenses within the department are for legislative, general administration and finance functions within the Town. The general revenue reported under the department includes revenues associated with taxation, business tax revenues and payments in lieu of taxes. These revenues have not been apportioned to other departments supported by the General Fund.

Protective services

Protective services are comprised of fire protection services. The fire department is responsible for effective fire protection and public safety services to the Town. This includes fire prevention, fire safety inspections, fire control and/or suppression.

Development services

The Planning and Development services department is responsible for land use and sustainable planning, general development services, building inspection and bylaw enforcement. This department addresses community and assists with infrastructure planning, zoning, inspection services, building permits, business licences, development permits and subdivision services.

Transportation services and public works

The Transportation services and Public Works department is responsible for the operation, maintenance and repairs of town streets, sidewalks, water and sewer systems, storm drainage system, parks and open spaces, cemetery, public facilities and the vehicle fleet as well as providing waste collection from parks, snow removal and ice control services.

Environmental and public health services

Environmental and Public Health services are comprised of solid waste, yard waste and recycling services.

(continued)

Town of Oliver
Notes to Consolidated Financial Statements
December 31, 2017

22. Segmented Information (continued)

Water

This segment includes all of the operating activities related to the treatment and distribution of water throughout the Town.

Sewer

This segment includes all of the operating activities related to the collection and treatment of wastewater throughout the Town.

23. Budget

The budget amounts which are presented for comparative purposes reflect the statutory budget as adopted by Council on April 24, 2017, adjusted for amortization and other items for comparability with the actual results.

The following reconciles the balanced statutory budget and the budgeted surplus reported on the consolidated statement of operations and accumulated surplus.

Surplus as per 5 Year Financial Plan Bylaw 1366	\$	-
Add: Tangible capital expenditures:		
General government services		216,100
Protective services		24,000
Transportation services		695,400
Sewer services		1,406,000
Water services		1,348,000
Budgeted reduction in debt principal		<u>369,065</u>
		<u>4,058,565</u>
Less: Amortization expense		1,518,899
Borrowing proceeds		-
Transfers from accumulated surplus and reserve funds		<u>1,345,692</u>
		<u>2,864,591</u>
Budget surplus as per the consolidated statement of operations and accumulated surplus	\$	<u>1,193,974</u>

24. Comparative Figures

Certain of the comparative figures have been restated to conform to the current year's presentation.

Town of Oliver
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
December 31, 2017

	<u>Cost</u>				<u>Accumulated Amortization</u>				<u>2017 Net book value</u>	<u>2016 Net book value</u>
	<u>Opening balance</u>	<u>Add: additions/transfers</u>	<u>Less: disposals/transfers</u>	<u>Closing balance</u>	<u>Opening balance</u>	<u>Less: disposals/transfers</u>	<u>Add: amortization</u>	<u>Closing balance</u>		
General Capital Fund										
Land	10,843,452	14,458	44,519	10,813,391	-	-	-	-	10,813,391	10,843,452
Buildings	3,034,062	52,192	30,900	3,055,354	1,604,894	10,767	68,466	1,662,593	1,392,761	1,429,168
Equipment	1,080,871	139,639	30,432	1,190,078	700,193	27,522	61,856	734,527	455,551	380,677
Vehicles	2,642,164	11,729	130,509	2,523,384	1,637,809	108,563	132,012	1,661,258	862,126	1,004,356
Roads	14,879,075	415,188	-	15,294,263	6,736,829	-	373,646	7,110,475	8,183,788	8,142,246
Work in progress	472,536	114,001	397,733	188,804	-	-	-	-	188,804	472,536
	32,952,160	747,207	634,093	33,065,274	10,679,725	(146,852)	635,980	11,168,853	21,896,421	22,272,435
Water System Capital Fund										
Infrastructure	28,124,211	223,072	-	28,347,283	6,967,090	-	524,098	7,491,188	20,856,095	21,157,122
Work in progress	22,822	237,104	22,822	237,104	-	-	-	-	237,104	22,822
	28,147,033	460,176	22,822	28,584,387	6,967,090	-	524,098	7,491,188	21,093,199	21,179,944
Sewer System Capital Fund										
Infrastructure	11,065,228	-	-	11,065,228	3,446,713	-	171,010	3,617,723	7,447,505	7,618,515
Storm system	776,457	-	-	776,457	268,302	-	10,279	278,581	497,876	508,155
Work in progress	28,170	4,572	28,170	4,572	-	-	-	-	4,572	28,170
	11,869,855	4,572	28,170	11,846,257	3,715,015	-	181,289	3,896,304	7,949,953	8,154,840
	72,969,048	1,211,955	685,085	73,495,918	21,361,830	(146,852)	1,341,367	22,556,345	50,939,573	51,607,219

Town of Oliver**Schedule 2 - Consolidated Schedule of Accumulated Surplus****December 31, 2017**

	Balance, beginning of year	Transfer to	Transfer from	Interest	Balance, end of year
Statutory Reserves					
Sewer equipment reserve	\$ 859,732	\$ 114,381	\$ (91,897)	\$ 24,381	\$ 906,597
Water capital reserve	1,714,028	471,068	(720,362)	39,227	1,503,961
Downtown parking fund	15,869	-	-	425	16,294
Land sale reserve	482,860	378,097	-	23,058	884,015
	<u>3,072,489</u>	<u>963,546</u>	<u>(812,259)</u>	<u>87,091</u>	<u>3,310,867</u>
Non Statutory Reserves					
Airport planning	67	-	-	2	69
Cemetery maintenance	6,720	-	-	180	6,900
Equipment reserve	135,347	139,182	(56,514)	5,839	223,854
Fire department - joint reserve	469,585	53,824	-	14,017	537,426
Fire department - town reserve	24,667	-	-	661	25,328
Food for thought	16,957	741	-	474	18,172
General reserve	814,160	932,833	(46,192)	21,097	1,721,898
Lagoon desludge reserve	275,950	15,000	-	7,793	298,743
Lift station contingency reserve	100,199	4,000	-	2,791	106,990
Library furnishings reserve	7,500	-	-	201	7,701
Local improvement fund	23,955	-	-	641	24,596
Payroll payable reserve	124,664	-	(27,013)	2,615	100,266
Pump repair contingency	63,363	4,000	-	1,805	69,168
Road capital reserve	309,184	-	(107,608)	5,398	206,974
Sawmill road trust fund	3,351	661	-	108	4,120
Snow removal reserve	45,904	4,500	-	1,350	51,754
Solid waste reserve	356,603	43,127	-	10,706	410,436
Tucelnuit water trust fund	48,574	3,344	-	1,390	53,308
Water capital charge fund	61,181	-	-	1,639	62,820
	<u>2,887,931</u>	<u>1,201,212</u>	<u>(237,327)</u>	<u>78,707</u>	<u>3,930,523</u>
Investment in Non-Financial Assets					
Investment in capital assets	46,961,657	1,095,637	(1,341,367)	-	46,715,927
	<u>\$ 52,922,077</u>	<u>\$ 3,260,395</u>	<u>\$ (2,390,953)</u>	<u>\$ 165,798</u>	<u>\$ 53,957,317</u>

Town of Oliver
Schedule 3 - Consolidated Schedule of Segment Disclosure
December 31, 2017

	General Fund						Water services	Sewer services	2017 Total	2016 Total
	General government services	Protective services	Development services	Transportation services and public works	Environmental and public health services	Total				
Revenue										
User fees	-	-	-	-	217,837	217,837	2,350,482	771,529	3,339,848	3,174,073
Property taxation	1,518,958	-	-	-	-	1,518,958	414,843	227,380	2,161,181	2,072,208
Government transfers	846,699	-	-	7,260	-	853,959	90,618	-	944,577	1,762,220
Concessions and franchise	33,339	261,965	-	-	76,938	372,242	-	-	372,242	384,254
Gain on disposal	437,983	-	-	-	-	437,983	-	-	437,983	271,114
Other revenue from own sources	66,854	5,131	175,913	51,572	7,368	306,838	30,508	-	337,346	266,341
Sale of services	149,586	-	-	-	-	149,586	44,429	16,237	210,252	178,870
Investment income	116,700	-	-	-	-	116,700	94,642	-	211,342	101,353
Development cost charges	-	-	-	-	-	-	-	5,555	5,555	33,541
Contributions	7,082	-	-	-	-	7,082	5,000	-	12,082	13,139
	3,177,201	267,096	175,913	58,832	302,143	3,981,185	3,030,522	1,020,701	8,032,408	8,257,113
Expenses										
Salaries and benefits	657,257	156,821	189,675	432,757	4,880	1,441,390	857,487	403,206	2,702,083	2,532,617
Amortization	128,261	52,652	-	455,067	-	635,980	524,098	181,289	1,341,367	1,300,804
Materials and supplies	164,447	76,412	-	306,581	-	547,440	317,899	211,028	1,076,367	1,282,436
Professional and contract services	152,792	27,438	154,120	115,109	252,435	701,894	66,362	94,326	862,582	794,034
Telephone and utilities	42,312	16,030	1,105	76,712	-	136,159	329,458	115,888	581,505	602,287
Interest	1,168	12,419	-	-	-	13,587	194,978	-	208,565	215,050
Insurance and licences	51,573	24,906	-	31,875	-	108,354	49,433	12,789	170,576	156,618
Civic grants	32,447	-	-	-	-	32,447	-	-	32,447	31,660
Advertising	-	382	7,224	-	1,700	9,306	9,998	-	19,304	16,193
Leases	-	2,372	-	-	-	2,372	-	-	2,372	3,151
Allocations	(156,812)	-	-	(112,330)	-	(269,142)	194,216	74,926	-	-
	1,073,445	369,432	352,124	1,305,771	259,015	3,359,787	2,543,929	1,093,452	6,997,168	6,934,850
Surplus (deficit)	2,103,756	(102,336)	(176,211)	(1,246,939)	43,128	621,398	486,593	(72,751)	1,035,240	1,322,263