

City of Revelstoke
Consolidated Financial Statements
For the year ended December 31, 2017

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City of Revelstoke
Consolidated Financial Statements
For the Year Ended December 31, 2017

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the City of Revelstoke (the "City") are the responsibility of management and have been approved by the Mayor and Council of the City.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The City maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the City's assets are appropriately accounted for and adequately safeguarded.

The City is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through its Finance Committee.

The Mayor and Council review the City's consolidated financial statements and recommend their approval. The Mayor and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report. The Mayor and Council take this information into consideration when approving the consolidated financial statements for issuance to the ratepayers. The Mayor and Council also appoint the engagement of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the ratepayers. BDO Canada LLP has full access to the Council and management.



Director of Finance



Mayor



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Independent Auditor's Report

To the Mayor and Members of Council of the City of Revelstoke

We have audited the accompanying consolidated financial statements of the City of Revelstoke, which comprise of the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 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.

Opinion

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

BDO Canada LLP

Chartered Professional Accountants

Revelstoke, British Columbia
May 8, 2018

City of Revelstoke
Consolidated Statement of Financial Position

As at December 31	2017	2016
Financial assets		
Cash and cash equivalents (Note 2)	\$ 6,916,336	\$ 8,516,783
Taxes receivable	1,363,585	1,093,895
Accounts receivable	3,480,238	1,195,484
Portfolio investments (Note 3)	12,197,738	6,297,491
Inventories for resale	115,489	115,489
Investment in RCFC (Note 4)	4,952,791	4,806,449
Investment in RCEC (Note 5)	176,369	174,591
Deposit - Municipal Finance Authority (Note 9)	978,574	971,824
	30,181,120	23,172,006
Liabilities		
Accounts payable and accrued liabilities	4,631,271	3,119,245
Deferred revenue (Note 7)	2,844,035	1,300,543
Long term debt (Note 8)	15,705,853	16,422,441
Reserve - Municipal Finance Authority (Note 9)	978,574	971,824
	24,159,733	21,814,053
Net financial assets	6,021,387	1,357,953
Non-financial assets		
Tangible capital assets (Note 10)	68,318,345	62,982,679
Prepaid expenses	54,221	287,927
Inventories of supplies	368,392	441,518
	68,740,958	63,712,124
Accumulated surplus	\$74,762,345	\$ 65,070,077

See commitments and contingencies (Note 13)

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Director of Finance

City of Revelstoke
Consolidated Statement of Operations

For the year ended December 31	Budget 2017	2017	2016
	(Note 15)		(Note 1)
Revenues			
Taxation - net (Note 12)	\$14,406,372	\$14,442,510	\$ 13,473,914
Government grants	4,200,842	6,281,576	3,878,573
Contributions by developers and property owners	184,782	2,489,533	1,105,462
User fees and service charges	4,630,171	5,064,676	4,528,517
Investment and other income	-	479,038	458,894
Equity income from RCFC (Note 4)	-	446,340	732,294
Equity income (loss) from RCEC (Note 5)	-	1,778	(81,075)
Gain on acquisition of Big Eddy Waterworks District (Note 6)	-	-	262,174
Other	876,300	970,635	1,093,527
	<u>24,298,467</u>	<u>30,176,086</u>	<u>25,452,280</u>
Expenses			
General government	2,378,299	2,146,786	2,120,350
Protection services	4,404,250	4,116,345	3,779,398
Transportation services	4,807,210	4,771,666	4,255,367
Environmental services	387,000	349,466	362,451
Health services	102,750	123,265	96,109
Economic development services	1,969,000	1,908,943	2,273,037
Recreation and cultural services	3,393,910	3,741,791	3,395,082
Planning and development	644,200	501,908	473,644
Sewer services	740,900	780,287	771,991
Water services	1,339,289	1,231,141	1,092,767
Interest	867,098	812,220	829,606
Loss on cessation of control (Note 1)	-	-	649,734
	<u>21,033,906</u>	<u>20,483,818</u>	<u>20,099,536</u>
Annual surplus	<u>3,264,561</u>	<u>9,692,268</u>	<u>5,352,744</u>
Accumulated surplus, beginning of year,	<u>65,070,077</u>	<u>65,070,077</u>	<u>59,717,333</u>
Accumulated surplus, end of year	<u>\$68,334,638</u>	<u>\$74,762,345</u>	<u>\$ 65,070,077</u>

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

City of Revelstoke
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2017	2017	2016
	(Note 15)		
Annual surplus	\$ 3,264,561	\$ 9,692,268	\$ 5,352,744
Acquisition of tangible capital assets	-	(7,431,224)	(3,123,561)
Amortization of tangible capital assets	-	2,018,836	1,918,949
Net book value of tangible capital assets disposed (Note 10)	-	76,722	165,292
	<u>3,264,561</u>	<u>4,356,602</u>	<u>4,313,424</u>
Decrease (increase) in inventory of supplies	-	73,126	(10,722)
Decrease (increase) in prepaid expenses	-	233,706	(279,675)
Disposal of asset on change of control (Note 1)	-	-	2,949,686
Acquisition of Big Eddy Waterworks District capital assets (Note 6)	-	-	(167,445)
Net change in net financial assets	3,264,561	4,663,434	6,805,268
Net financial assets (debt), beginning of year	<u>1,357,953</u>	<u>1,357,953</u>	<u>(5,447,315)</u>
Net financial assets, end of year	<u>\$ 4,622,514</u>	<u>\$ 6,021,387</u>	<u>\$ 1,357,953</u>

City of Revelstoke
Consolidated Statement of Cash Flows

For the year ended December 31	2017	2016
Operating transactions		
Annual surplus	\$ 9,692,268	\$ 5,352,744
Items not involving cash		
Gain from subsidiary operations	(448,118)	(651,219)
Gain on acquisition of Big Eddy Waterworks District (Note 6)	-	(262,174)
Amortization	2,018,836	1,918,949
Loss on disposal of tangible capital assets	76,722	123,276
Loss on cessation of control (Note 1)	-	649,734
Actuarial recognized on long-term debt	(351,709)	(311,008)
Changes in non-cash operating balances		
Taxes receivable	(269,690)	(237,996)
Accounts receivable	(2,284,754)	39,018
Inventories of supplies	73,126	(8,431)
Prepaid expenses	233,706	(279,675)
Accounts payable and accrued liabilities	1,512,024	(431,394)
Deferred revenue	1,543,492	(1,107,205)
	<u>11,795,903</u>	<u>4,794,619</u>
Capital transactions		
Acquisition of tangible capital assets	(7,431,224)	(3,123,561)
Proceeds on disposal of capital assets	-	42,022
	<u>(7,431,224)</u>	<u>(3,081,539)</u>
Investing transactions		
Net change in portfolio investments	(5,900,247)	424,437
Dividends from government business enterprise	300,000	-
	<u>(5,600,247)</u>	<u>424,437</u>
Financing transactions		
Net change in long term debt (Note 8)	(364,879)	1,128,192
Repayment of capital leases	-	(1,328,030)
	<u>(364,879)</u>	<u>(199,838)</u>
Net change in cash and cash equivalents	(1,600,447)	1,937,679
Cash on acquisition of Big Eddy Waterworks District (Note 6)	-	82,668
Cash disposed of on loss on cessation of control (Note 1)	-	(88,444)
Cash and cash equivalents, beginning of year	<u>8,516,783</u>	<u>6,584,880</u>
Cash and cash equivalents, end of year	<u>\$ 6,916,336</u>	<u>\$ 8,516,783</u>

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

City of Revelstoke

Summary of Significant Accounting Policies

December 31, 2017

Management's Responsibility for the Financial Statements	The consolidated financial statements of the City of Revelstoke (the "City") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (CPAC). The City is a municipality in the Province of British Columbia and operates under the provisions of the Community Charter. The City provides municipal services such as fire, public works, planning, parks, recreation and other general government services.				
Basis of Consolidation	<p>The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and boards which are owned or controlled by the City. The following entities are owned or controlled by the City:</p> <table style="margin-left: 40px;"><tr><td>Revelstoke Community Energy Corporation</td><td style="text-align: right;">100%</td></tr><tr><td>RCFC Holding Company Ltd.</td><td style="text-align: right;">100%</td></tr></table> <p>The investments in RCFC Holding Company Ltd. (RCFC) and Revelstoke Community Energy Corporation (RCEC), all of which are government business enterprises, are accounted for using the modified equity method. Under this method, the business enterprises' accounting principles are not adjusted to conform with those of the City. These subsidiaries have a fiscal year end of April 30 and their consolidated financial statements do not reflect any activity between the fiscal year end of each subsidiary and the fiscal year end of the City.</p> <p>Big Eddy Waterworks District was an independent incorporated not-for-profit organization responsible for providing water services to the residents living outside the municipal boundaries. On October 1, 2016, the City took control over the Big Eddy Waterworks District. The operations have been consolidated for the period of control in 2016. Subsequent to the City taking control on October 1, 2016, the Big Eddy Waterworks District was dissolved.</p> <p>Revelstoke Community Housing Society was controlled by the City in 2015. See note 1 for details on the cessation of control. The operations of the Revelstoke Community Housing Society, a non-profit society over whose board of directors the City had control, have been consolidated for the period of control in 2016.</p>	Revelstoke Community Energy Corporation	100%	RCFC Holding Company Ltd.	100%
Revelstoke Community Energy Corporation	100%				
RCFC Holding Company Ltd.	100%				
Cash and Cash Equivalents	Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.				
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.				

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City of Revelstoke
Summary of Significant Accounting Policies

December 31, 2017

Tangible Capital Assets

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, legal fees and site preparation costs. 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 a straight-line basis over the estimated useful life of the tangible capital asset commencing once the asset is available for productive use. Amortization is recognized, as follows:

Land	not amortized
Buildings	40 - 75 years
Equipment	5 - 25 years
Roads and bridges	10 - 100 years
Water/sewer infrastructure	10 - 100 years
Projects in progress	not amortized

Leased Assets

Leases entered into, that transfer substantially all the benefits and risks associated with ownership, are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the City and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

Collection of Taxes on Behalf of Other Taxation Authorities

The City collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities, with respect to the operations of entities, are not reflected in these financial statements.

The entities, the City collects taxation revenue on behalf of, are as follows:

Province of British Columbia - School Tax
Columbia Shuswap Regional District
British Columbia Assessment Authority
Municipal Finance Authority
North Okanagan Columbia Shuswap Regional Hospital District
Okanagan Regional Library

Trust Funds

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

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City of Revelstoke

Summary of Significant Accounting Policies

December 31, 2017

- Retirement Benefits** The City's contributions, due during the period to its multi-employer defined benefit plan, are expensed as incurred (Note 13 (b)).
- Government Transfers** Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.
- Revenue Recognition** Taxes are recognized as revenue in the year they are levied.
- Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.
- Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.
- Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.
- Sales of service and other revenue is recognized when the service or product is provided by the City.
- Contaminated Sites** A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. No contaminated sites have been identified within the City.
- Restructuring Transactions** The City has applied early adoption of PS 3430 Restructuring Transactions for the 2016 financial year. The increase in net assets or net liabilities resulting from the recognition or derecognition of assets and liabilities received from all transferors and transferred to all recipients in a restructuring transaction be recognized as revenue or as an expense.
- Use of Estimates** The preparation of financial statements, in accordance with Canadian public sector accounting standards, 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. Actual results could differ from management's best estimates as additional information becomes available in the future. The accounts that are affected are accounts receivable, inventories, accrued liabilities and amortization of tangible capital assets.

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

1. Restructuring of Revelstoke Community Housing Society

In 2016 the agreement with the Revelstoke Community Housing Society (the "Society") was amended so that the City only appoints one member of the Board of Directors. Therefore, effective June 6, 2016, the City no longer controlled the Society and ceased to include the Society's financial results as at that date. Consequently the Society's assets, liabilities and responsibilities were transferred out of the City's financial reporting and operations effective June 6, 2016:

Assets	
Cash	\$ 88,444
Mortgage receivable	79,679
Capital assets	<u>2,949,682</u>
	3,117,805
Liabilities	
Accounts payable and accrued liabilities	28,250
Long-term debt	949,619
Forgiveable debt	<u>1,490,202</u>
	<u>2,468,071</u>
Net assets	<u><u>\$ 649,734</u></u>

The revenue and expenses of the Society prior to the restructuring date of June 6, 2016, were consolidated into the City's statement of operations:

	<u>2016</u>
Revenue	
Government grants	\$ 50,000
Other	<u>41,667</u>
	91,667
Expenses	
Economic development services	<u>26,072</u>
Net surplus for the period	<u><u>\$ 65,595</u></u>

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

2. Cash and Cash Equivalents

The City's bank accounts earn interest ranging from 0 % - 1.5 % and are held in one financial institution. The City has available an operating line of credit in the amount of \$3,000,000, bearing interest at Revelstoke Credit Union's prime lending rate. As of December 31, 2017, the City had an undrawn credit capacity under this facility of \$3,000,000 (2016 - \$3,000,000). The credit union's prime rate as at December 31, 2017 was 3.20%.

3. Portfolio Investments

	2017	2016
Municipal Finance Authority of British Columbia	\$ 3,373,285	\$ 3,354,959
Revelstoke Credit Union	5,022,351	1,047,684
RBC Dominion Securities Inc.	1,800,331	1,894,848
Raymond James Ltd.	2,001,771	-
	\$12,197,738	\$ 6,297,491

Investments held with the Municipal Finance Authority of British Columbia, earn variable interest and are available on demand. The Revelstoke Credit Union investment earns 2.35% interest ranging from 1.75% - 2.00% and matures between September 2018 and September 2019. Investments held with RBC Dominion Securities Inc. are Guaranteed Investment Certificates (GICs) with maturity dates ranging from July 2018 to November 2020. Interest rates on the GICs range from 1.60% - 2.70%. Investments held with Raymond James Ltd. are Guaranteed Investment Certificates (GICs) with maturity dates ranging from December 2018 to December 2019. Interest rates on the GICs range from 2.25% - 2.55%

The market value of the City's portfolio investments is \$12,205,279 (2016 - \$6,319,598).

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

4. Investment in RCFC Holding Company Ltd.

RCFC Holding Company Ltd. ("RCFC") is 100% owned by the City. The Company manages Revelstoke Community Forest Corporation, a wholly-owned subsidiary, which manages a tree farm license near Revelstoke. The condensed supplementary financial information is as follows:

	<u>2017</u>	<u>2016</u>
Financial position		
Current assets	\$ 3,492,266	\$ 3,476,878
Deferred charges	318,197	343,501
Other assets	1,200,000	1,275,000
Capital assets	<u>1,929,482</u>	<u>2,112,147</u>
Total assets	<u>6,939,945</u>	<u>7,207,526</u>
Current liabilities	727,191	879,756
Accrued silviculture	807,977	1,037,651
Deferred revenue	<u>451,986</u>	<u>483,670</u>
Total liabilities	<u>1,987,154</u>	<u>2,401,077</u>
Total net assets	<u>\$ 4,952,791</u>	<u>\$ 4,806,449</u>
Results of operations		
Revenue	\$ 5,243,242	\$ 8,079,125
Cost of goods sold	(4,170,772)	(6,654,927)
Log-yard operations	99,815	63,281
Administrative expenses	<u>(725,945)</u>	<u>(755,185)</u>
Net income for the year	<u>\$ 446,340</u>	<u>\$ 732,294</u>

RCFC Holding Company Ltd paid \$Nil (2016 - \$35,185) in interest to the City during the year. RCFC Holding Company Ltd paid \$300,000 (2016 - \$Nil) in dividends to the City during the year.

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

5. Investment in Revelstoke Community Energy Corporation

Revelstoke Community Energy Corporation ("RCEC") is a wholly-owned subsidiary that was created for the purpose of creating thermal energy. The condensed supplementary financial information is as follows:

	2017	2016
Financial position		
Current assets	\$ 246,523	\$ 224,666
Capital assets	3,162,183	3,339,121
Total assets	3,408,706	3,563,787
Current liabilities	2,066,125	2,073,716
Long term debt	1,166,201	1,315,469
Shareholder's equity	11	11
Total liabilities	3,232,337	3,389,196
Total net assets	\$ 176,369	\$ 174,591
Results of operations		
Revenue	\$ 723,595	\$ 671,279
Expenses	(721,817)	(752,354)
Net income (loss) for the year	\$ 1,778	\$ (81,075)

RCEC owed \$681,333 (2016 - \$597,333) in dividends to the City during the year. The City paid \$147,316 (2016 - \$131,013) to RCEC for utilities during the year.

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

6. Acquisition of Big Eddy Waterworks District

In 2016, a restructuring transaction occurred between the City and Big Eddy Waterworks District ("BEWW"), an independent incorporated not-for-profit organization responsible for providing water services to the residents living outside the municipal boundaries. Due to its limitation to borrow funds for water system upgrades, the Big Eddy Waterworks District Board approached the City requesting the ownership and responsibilities of the Big Eddy Waterworks be transferred to the City. Accordingly, on October 1, 2016, the City took control over the Big Eddy Waterworks District. The assets, liabilities, and responsibilities transferred to the City as of October 1, 2016 were as follows:

Assets	
Cash and cash equivalents	\$ 82,668
Accounts receivable	13,206
Inventory	2,291
Capital assets	<u>167,445</u>
	265,610
Liabilities	
Accounts payable and accrued liabilities	<u>3,436</u>
Net Assets	<u><u>\$ 262,174</u></u>

Responsibilities transferred to the City included the taxation of residents and the operations and upgrades for the existing water system.

There was no compensation paid or received, no contingent liabilities or contractual obligations transferred, and no restructuring-related cost associated with this restructuring transaction.

The City has committed an estimated \$5,800,000 for water system upgrades for the Big Eddy Waterworks District. Of this amount, \$3,900,000 will be funded by the provincial government and \$1,900,000 will be funded by a 20 year loan. The \$1,900,000 will be recovered through a parcel tax on utility users in the Big Eddy Waterworks District. As of December 31, 2017 the total project costs to date are \$2,920,713.

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

7. Deferred Revenue

	Opening Balance	Contributions Received	Externally Restricted Investment Income	Revenue Recognized	Ending Balance
					(Note 1)
Economic Development Grants	\$ 105,793	\$ 133,226	\$ -	\$ (57,973)	\$ 181,046
Tourism Infrastructure	154,520	536,006	-	(212,269)	478,257
Deferred Development Cost Charges	757,542	1,091,230	13,319	(418,666)	1,443,425
Prepaid Licenses & Utilities	63,583	163,241	-	(63,583)	163,241
Other	219,105	403,552	-	(44,591)	578,066
	<u>\$ 1,300,543</u>	<u>\$ 2,327,255</u>	<u>\$ 13,319</u>	<u>\$ (797,082)</u>	<u>\$ 2,844,035</u>

Tourism Infrastructure Program

Tourism Infrastructure funding is provided by a 10% tax on hotel room rentals. It is collected by the Province of British Columbia and 3% is remitted to the City on a monthly basis. Expenditures from the Tourism Infrastructure Program are restricted to those set out in the establishing Order in Council.

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

8. Long-Term Debt

Long-term debt outstanding:

	2017	2016
Balance at January 1	\$ 16,422,441	\$ 16,554,876
Proceeds from issuance of long-term debt	733,542	975,500
Obligations under capital lease refinanced into long-term debt	-	1,388,943
Revelstoke Community Housing Society loan (Note 1)	-	(949,619)
Principal repayments	(1,098,421)	(1,236,251)
Actuarial adjustments	(351,709)	(311,008)
Balance at December 31	\$15,705,853	\$ 16,422,441

Principal repayments and sinking fund contributions on long-term debt over the next five years and thereafter are as follows:

	Principal Repayments	Sinking Fund Contributions	Total
2018	\$ 1,101,666	\$ 394,204	\$ 1,495,870
2019	967,684	438,571	1,406,255
2020	865,535	484,896	1,350,431
2021	682,066	352,137	1,034,203
2022	644,148	388,483	1,032,631
Thereafter	4,384,000	5,002,463	9,386,463
	\$ 8,645,099	\$ 7,060,754	\$ 15,705,853

The weighted average interest on long-term debt is 4.18% (2016 - 4.21%). Consolidated interest paid on the above long-term debt was \$799,426 (2016 - \$815,676).

Sinking fund assets, managed by the Municipal Finance Authority, are used to reduce long-term debt to be repaid. In the event that the City does not default under any of its obligations, the sinking fund earnings will be used to offset future principal repayments.

9. Deposit and Reserve - Municipal Finance Authority

The City issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a Debt Reserve Fund. At December 31, 2017 the cash deposits in the Debt Reserve Fund were \$352,189 (2016 - \$345,439). The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the Municipal Finance Authority. At December 31, 2017, the demand notes were \$626,385 (2016 - \$626,385).

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

10. Tangible Capital Assets

2017

	Land	Buildings	Equipment	Roads and Bridges	Water	Sewer	Projects in Progress	Total
Cost, beginning of year	\$14,349,284	\$13,268,179	\$18,114,595	\$29,164,303	\$17,841,523	\$12,679,593	\$ 1,333,906	\$106,751,383
Additions	-	160,073	1,020,920	2,937,964	178,481	581,914	2,551,872	7,431,224
Disposals	-	-	(177,050)	-	-	-	-	(177,050)
Cost, end of year	\$14,349,284	\$13,428,252	\$18,958,465	\$32,102,267	\$18,020,004	\$13,261,507	\$ 3,885,778	\$114,005,557
Accumulated amortization, beginning of year	\$ -	\$ 3,229,413	\$ 7,950,784	\$19,807,443	\$ 7,999,499	\$ 4,781,565	\$ -	\$ 43,768,704
Amortization	-	166,783	821,832	525,057	284,551	220,613	-	2,018,836
Disposals	-	-	(100,328)	-	-	-	-	(100,328)
Accumulated amortization, end of year	\$ -	\$ 3,396,196	\$ 8,672,288	\$20,332,500	\$ 8,284,050	\$ 5,002,178	\$ -	\$ 45,687,212
Net carrying amount, end of year	\$14,349,284	\$10,032,056	\$10,286,177	\$11,769,767	\$ 9,735,954	\$ 8,259,329	\$ 3,885,778	\$ 68,318,345

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

10. Tangible Capital Assets (continued)

2016

	Land	Buildings	Equipment	Roads and Bridges	Water	Sewer	Projects in Progress	Total
Cost, beginning of year	\$ 14,429,074	\$ 15,677,736	\$ 14,203,731	\$ 28,930,082	\$ 17,312,388	\$ 12,623,648	\$ 15,250	\$103,191,909
Additions	-	520,033	633,016	234,221	361,690	55,945	1,318,656	3,123,561
Big Eddy Waterworks District acquisition	-	-	-	-	167,445	-	-	167,445
Disposals	(79,790)	(2,929,590)	(246,251)	-	-	-	-	(3,255,631)
Reclassified from leased assets	-	-	3,524,099	-	-	-	-	3,524,099
Cost, end of year	\$ 14,349,284	\$ 13,268,179	\$ 18,114,595	\$ 29,164,303	\$ 17,841,523	\$ 12,679,593	\$ 1,333,906	\$106,751,383
Accumulated amortization, beginning of year	\$ -	\$ 3,125,530	\$ 6,418,612	\$ 19,325,237	\$ 7,714,569	\$ 4,570,650	\$ -	\$ 41,154,598
Amortization	-	163,581	777,317	482,206	284,930	210,915	-	1,918,949
Disposals	-	(59,698)	(80,959)	-	-	-	-	(140,657)
Reclassified from leased assets	-	-	835,814	-	-	-	-	835,814
Accumulated amortization, end of year	\$ -	\$ 3,229,413	\$ 7,950,784	\$ 19,807,443	\$ 7,999,499	\$ 4,781,565	\$ -	\$ 43,768,704
Net carrying amount, end of year	\$ 14,349,284	\$ 10,038,766	\$ 10,163,811	\$ 9,356,860	\$ 9,842,024	\$ 7,898,028	\$ 1,333,906	\$ 62,982,679

The net book value of tangible capital assets not being amortized because they are under construction, is \$3,885,778 (2016 - \$1,333,906). The City holds various works of art. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

11. Accumulated Surplus

	2017	2016
Operating surpluses		
General	\$ 3,371,036	\$ 1,881,856
Water	630,134	477,912
Sewer	373,906	292,553
Big Eddy Water	85,883	83,978
	4,460,959	2,736,299
Restricted operating surpluses		
Tax equalization	1,137,308	931,397
Reserves		
Building	-	189,144
Community centre	-	200,000
Community Works Gas Tax	1,048,170	904,509
Electric utility	2,259,604	2,254,165
Financial stabilization	984,658	-
Fire	-	97,047
General capital	571,168	-
Greening City	186,444	170,180
Information technology	41,386	150,575
Insurance & legal	205,050	198,079
Land sale	1,535,411	1,466,955
Parkland acquisition	318,347	290,996
Public Art	7,500	-
RCMP station	-	153,792
Recreation	-	390,513
Sewer capital	1,454,718	1,239,118
Snow removal	-	743,959
Transportation infrastructure	559,290	-
Vehicle & equipment	651,030	426,911
Water capital	1,733,884	1,429,620
	11,556,660	10,305,563
Segregated reserves		
Revelstoke Community Forest Corporation dividends	300,000	-
Investments		
Revelstoke Community Energy Corporation	176,369	174,591
Revelstoke Community Forest Corporation	4,952,791	4,806,449
Equity in tangible capital assets	52,178,258	46,115,778
	57,307,418	51,096,818
Accumulated surplus	\$74,762,345	\$ 65,070,077

In 2017 the City of Revelstoke adopted an updated Reserve Funds and Surpluses Policy and as a result a number of new reserve funds were established and others were discontinued.

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

12. Taxation - Net

	Budget 2017	2017	2016
Property taxes and payments-in-lieu	\$14,406,372	\$14,442,510	\$ 13,473,914
Collections for other governments			
Province of British Columbia - School Tax	-	2,430,320	2,600,238
North Okanagan Columbia Shuswap			
Regional Hospital District	-	477,625	459,482
Columbia Shuswap Regional District	-	554,658	594,675
Municipal Finance Authority	-	350	328
British Columbia Assessment Authority	-	91,027	101,823
Libraries	-	323,319	291,975
	14,406,372	18,319,809	17,522,435
Transfers			
Province of British Columbia - School Tax	-	2,430,320	2,600,238
North Okanagan Columbia Shuswap			
Regional Hospital District	-	477,625	459,482
Columbia Shuswap Regional District	-	554,658	594,675
Municipal Finance Authority	-	350	328
British Columbia Assessment Authority	-	91,027	101,823
Libraries	-	323,319	291,975
	-	3,877,299	4,048,521
Available for general municipal purposes	\$14,406,372	\$14,442,510	\$ 13,473,914

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

13. Commitments and Contingencies

- (a) The City is responsible, as a member of the Columbia Shuswap Regional District, for its portion of any operating deficits or capital debt related to functions in which it participates.
- (b) The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2016, the Plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

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 of 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 \$569,930 (2016 - \$546,695) for employer contributions 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 with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the plan.

- (c) The City is the defendant in various lawsuits. In the opinion of management, the overall estimation of loss is not determinable. These claims have not been provided for in the financial statements. Settlement, if any, made with respect to these actions would be expected to be accounted for as a change to expenditures in the period in which realization is known.
- (d) The City has committed funds for water system upgrades for the Big Eddy Waterworks District. See note 6 for details.
- (e) There is a property tax assessment appeal under review which may result in the City retroactively paying back a portion of previously collected property taxes. The outcome and the potential liability is unknown as of the report date.

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

14. Funds Held in Trust

At year end, the City held \$161,840 (2016 - \$156,184) in trust for the cemetery. These funds are not included in these financial statements.

15. Budget

The Financial Plan (Budget) Bylaw adopted by Council on May 9, 2017 was prepared, as required by the Community Charter, on a modified accrual basis. This basis is not consistent with that used to report actual results in accordance with Public Sector Accounting Standards. These standards require a full accrual basis. The budget figures anticipated using prior year surpluses to reduce current year expenditures, in excess of revenues, to \$Nil. In addition, the budget expensed all tangible capital expenditures. As a result, the budget figures presented in the Consolidated Statements of Operations and Consolidated Change in Net Debt represent the Budget adopted by Council on May 9, 2017 with adjustments as follows:

	<u>2017</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	9,056,700
Principal repayments	1,098,324
Budgeted transfers to reserves	3,449,500
Budgeted transfer to surplus	83,237
Less:	
Budgeted transfers from reserves	(3,946,200)
Amortization	(1,725,000)
Proceeds from debt	(1,610,000)
Contributions from grants	<u>(3,142,000)</u>
Budget surplus per Consolidated Statement of Operations	<u>\$ 3,264,561</u>

December 31, 2017

16. Segmented Information

The City is a diversified municipal government institution that provides a wide range of services to its citizens such as transit, public housing, police, fire and water. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This item relates to the revenues and expenses of the operations of the City itself and cannot be directly attributed to a specific segment.

Protection

Protection is comprised of police and fire protection services. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible for providing fire suppression service, fire prevention programs, training and education and rescue services.

Transportation

This department provides a number of services including road and storm sewer maintenance, snow removal, building maintenance, transit, city planning, maintenance and enforcement of building codes and review of all property development plans through its application process.

Planning and Development

This department provides a number of services including city planning, maintenance and enforcement of building codes and review of all property development plans through its application process.

Environmental

Environmental services consist of providing waste disposal to citizens.

Health Services

Health services consist of the management of the cemetery.

Economic Development

This department provides sustainable community economic development programs and services, as well as, support for economic business retention and development initiatives.

Recreation and Culture

This department provides services meant to improve the health and development of the City's citizens. Recreational and cultural programs like swimming and skating lessons are provided at the arena, aquatic and community centres.

Continued...

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

16. Segmented Information (continued)

Water

This service provides the drinking water to some parts of the City. This service ensures the City's water system meets all provincial and federal standards.

Big Eddy Water

This department is responsible for upgrades to the existing water system outside the municipal boundaries. See note 6 for details.

Sewer

This service processes and cleans sewage and ensures the City's sewer system meets all provincial and federal standards.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The revenues and expenses and equity in government business enterprises, that are directly attributable to a particular segment, are allocated to that segment. Amounts, that are directly attributable to a number of segments, have been allocated on a reasonable basis as follows:

Taxation, fees and user charges	Allocated to those segments that are funded by these amounts based on the total expenditures for the year.
Grants	Based on percent of budgeted expenses.

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

16. Segmented Information (continued)

For the year ended December 31	General Government	Protection	Transportation	Planning and Development	Environmental	Health Services	Economic Development	Recreation and Culture	Water	Big Eddy Water	Sewer	Eliminations	2017 Total
Revenue													
Taxation	\$ 1,204,223	\$ 4,377,848	\$ 5,773,560	\$ 510,745	\$ -	\$ -	\$ 376,852	\$ 1,895,587	\$ -	\$ -	\$ 303,695	\$ -	\$ 14,442,510
Government grants	495,510	195,922	106,365	1,150	-	113,863	1,556,238	1,244,165	2,568,363	-	-	-	6,281,576
Contributions by developers and property owners	-	-	316,956	-	-	-	-	-	419,319	1,033,645	719,613	-	2,489,533
User fees and service charges	284,902	49,040	1,094,002	42,401	360,397	39,784	-	812,723	2,016,629	135,879	1,251,880	(1,022,961)	5,064,676
Investment income	203,884	57,035	11,046	-	-	-	-	45,415	132,499	89	29,070	-	479,038
Income from government business enterprises	448,118	-	-	-	-	-	-	-	-	-	-	-	448,118
Other	370,339	209,846	2,410	352,286	-	-	-	25,097	6,288	-	4,369	-	970,635
	3,006,976	4,889,691	7,304,339	906,582	360,397	153,647	1,933,090	4,022,987	5,143,098	1,169,613	2,308,627	(1,022,961)	30,176,086
Expenses													
Salaries and wages	1,179,097	1,479,144	1,708,630	390,540	182,374	81,292	125,470	1,687,820	313,898	60,748	279,976	-	7,488,989
Supplies and services	989,009	2,664,971	3,717,874	111,368	167,092	54,677	1,782,715	2,101,206	916,308	58,870	641,480	(1,022,961)	12,182,609
Interest	12,794	72,573	248,069	-	-	-	-	54,250	255,885	-	168,649	-	812,220
	2,180,900	4,216,688	5,674,573	501,908	349,466	135,969	1,908,185	3,843,276	1,486,091	119,618	1,090,105	(1,022,961)	20,483,818
Net surplus	\$ 826,076	\$ 673,003	\$ 1,629,766	\$ 404,674	\$ 10,931	\$ 17,678	\$ 24,905	\$ 179,711	\$ 3,657,007	\$ 1,049,995	\$ 1,218,522	\$ -	\$ 9,692,268

City of Revelstoke
Notes to Consolidated Financial Statements

December 31, 2017

16. Segmented Information (continued)

For the year ended December 31	General Government	Protection	Transportation	Planning and Development	Environmental	Health Services	Economic Development	Recreation and Culture	Water	Big Eddy Water	Sewer	Eliminations	2016 Total
(Note 1)													
Revenue													
Taxation	\$ 1,644,702	\$ 2,931,094	\$ 3,796,715	\$ 356,699	\$ -	\$ 80,798	\$ 1,733,076	\$ 2,644,235	\$ -	\$ -	\$ 286,595	\$ -	\$ 13,473,914
Government grants	859,836	199,447	96,374	-	-	92,397	1,992,016	449,987	2,613	184,790	1,113	-	3,878,573
Contributions by developers and property owners	-	-	980,681	-	-	-	-	-	-	-	124,781	-	1,105,462
User fees and service charges	358,264	10,577	897,450	121,466	350,590	38,878	-	726,376	1,787,273	1,476	1,156,571	(920,404)	4,528,517
Investment income	189,234	51,697	(11,897)	-	-	-	-	45,815	146,025	44	37,976	-	458,894
Gain from acquisition of Big Eddy Water	262,174	-	-	-	-	-	-	-	-	-	-	-	262,174
Loss from government business enterprises	(81,075)	-	-	-	-	-	-	-	-	-	-	-	(81,075)
Income from government business enterprises	732,294	-	-	-	-	-	-	-	-	-	-	-	732,294
Other	438,978	316,276	-	256,353	-	-	-	-	77,543	-	4,377	-	1,093,527
	4,404,407	3,509,091	5,759,323	734,518	350,590	212,073	3,725,092	3,866,413	2,013,454	186,310	1,611,413	(920,404)	25,452,280
Expenses													
Salaries and wages	1,189,061	1,337,065	1,482,435	373,737	174,058	68,826	120,467	1,612,297	283,813	5,322	257,229	-	6,904,310
Supplies and services	957,714	2,468,851	3,308,310	99,907	138,392	38,462	2,180,806	1,844,613	923,310	6,950	668,975	(920,404)	11,715,886
Interest	13,930	86,151	250,741	-	-	-	-	54,250	255,885	-	168,649	-	829,606
Loss on disposal of Revelstoke Community Housing Society	649,734	-	-	-	-	-	-	-	-	-	-	-	649,734
	2,810,439	3,892,067	5,041,486	473,644	312,450	107,288	2,301,273	3,511,160	1,463,008	12,272	1,094,853	(920,404)	20,099,536
Net surplus (deficit)	\$ 1,593,968	\$ (382,976)	\$ 717,837	\$ 260,874	\$ 38,140	\$ 104,785	\$ 1,423,819	\$ 355,253	\$ 550,446	\$ 174,038	\$ 516,560	\$ -	\$ 5,352,744