

Corporation of the Town of Osoyoos
Financial Statements
December 31, 2019

Corporation of the Town of Osoyoos

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For the year ended December 31, 2019

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Management's Responsibility

To the Mayor and Council of the Corporation of the Town of Osoyoos,

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Mayor and Council are composed entirely of individuals who are neither management nor employees of the Town. The Mayor and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Mayor and Council fulfill these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Mayor and Council are also responsible for appointing the Town's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Mayor and Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Council and management to discuss their audit findings.

June 15, 2020



Chief Administrative Officer



Director of Finance

Independent Auditor's Report

To the Mayor and Council of the Corporation of the Town of Osoyoos,

Opinion

We have audited the financial statements of the Corporation of the Town of Osoyoos (the "Town"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of the Town for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 6, 2019.

Other Information

Management is responsible for the other information. The other information comprises the annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelowna, British Columbia

June 15, 2020

MNP LLP

Chartered Professional Accountants

Corporation of the Town of Osoyoos
Statement of Financial Position

As at December 31, 2019

	2019	2018
Financial assets		
Cash (Note 2)	15,446,548	8,437,022
Temporary investments (Note 3)	9,757,767	10,561,844
Accounts receivable (Note 4)	1,113,509	2,199,514
	26,317,824	21,198,380
Financial liabilities		
Accounts payable and accrued liabilities (Note 5)	1,699,638	1,517,100
Building deposits	1,505,885	1,145,191
Deferred revenue (Note 6)	2,456,347	1,516,638
Deferred development cost charges (Note 7)	1,713,398	1,708,169
Long-term debt (Note 8)	9,974,660	6,806,221
Landfill closure and post-closure (Note 9)	210,062	176,000
	17,559,990	12,869,319
Net financial assets	8,757,834	8,329,061
Non-financial assets		
Inventory of supplies	168,708	138,664
Prepaid expenses	62,842	138,200
Tangible capital assets (Note 10)	70,661,907	69,223,920
	70,893,457	69,500,784
Accumulated surplus (Note 11)	79,651,291	77,829,845

Commitments and contingencies (Note 12)
Municipal Finance Authority of BC deposits (Note 13)
Subsequent events (Note 17)



Mayor



Director of Finance

The accompanying notes are an integral part of these financial statements

Corporation of the Town of Osoyoos
Statement of Operations and Accumulated Surplus

For the year ended December 31, 2019

	Budget (Note 15)	2019	2018
Revenue			
Sale of services	4,653,052	4,691,980	4,543,043
Taxation - net (Schedule 2)	4,200,028	4,198,285	3,898,668
Grants - provincial (Note 14)	5,427,141	1,561,426	3,804,789
Solid waste management	869,950	924,413	904,388
Grants - other (Note 14)	877,680	731,449	496,008
Return on investments	176,500	332,715	255,862
Administration and miscellaneous recoveries	430,100	271,567	400,931
Licences, permits, rentals and fines	233,150	257,182	247,296
Contribution from developers	796,592	200,592	-
Penalties and interest on taxes	65,000	73,932	66,437
Franchise fees	64,300	59,323	64,367
Actuarial gains	-	41,593	57,761
Grants in lieu of taxes (Note 14)	10,200	14,336	13,647
Donations	-	9,476	703,086
Land and equipment sales	3,000	1,220	1,223,918
	17,806,693	13,369,489	16,680,201
Expenses			
General government services	1,806,130	3,014,630	3,284,621
Protective services	2,095,055	2,022,581	1,415,962
Water services	1,853,974	1,918,051	1,691,604
Sewer services	1,341,158	1,733,980	1,586,699
Recreation and cultural services	1,450,650	1,395,039	1,337,917
Environmental services	726,600	746,486	637,652
Transportation services	798,110	666,398	658,523
Public health services	52,140	50,878	43,998
	10,123,817	11,548,043	10,656,976
Annual surplus	7,682,876	1,821,446	6,023,225
Accumulated surplus, beginning of year	77,829,845	77,829,845	71,806,620
Accumulated surplus	85,512,721	79,651,291	77,829,845

The accompanying notes are an integral part of these financial statements

Corporation of the Town of Osoyoos
Statement of Changes in Net Financial Assets

For the year ended December 31, 2019

	Budget (Note 15)	2019	2018
Annual surplus	7,682,876	1,821,446	6,023,225
Acquisition of tangible capital assets	(17,681,830)	(3,529,790)	(5,141,152)
Contributed tangible capital assets	-	-	(700,000)
Amortization of tangible capital assets	-	2,091,803	1,942,011
	(17,681,830)	(1,437,987)	(3,899,141)
Change in inventory of supplies	-	(30,044)	9,218
Change in prepaid expenses	-	75,358	(297)
	-	45,314	8,921
Increase (decrease) in net financial assets	(9,998,954)	428,773	2,133,005
Net financial assets, beginning of year	8,329,061	8,329,061	6,196,056
Net financial assets, end of year	(1,669,893)	8,757,834	8,329,061

The accompanying notes are an integral part of these financial statements

Corporation of the Town of Osoyoos
Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating Activities		
Annual surplus	1,821,446	6,023,225
Items not involving cash included in annual surplus:		
Amortization of tangible capital assets	2,091,803	1,942,011
Actuarial adjustment	(41,593)	(57,761)
Contributed asset	-	(700,000)
Net change in non-cash working capital items:		
Inventory	(30,044)	9,218
Landfill closure and post-closure	34,062	20,000
Net change in cash working capitals items:		
Accounts receivable	1,086,005	(872,857)
Prepaid expenses	75,358	(297)
Accounts payable and accrued liabilities	182,538	(393,475)
Deferred revenue	939,709	(230,803)
Other liabilities	360,694	88,606
Deferred development cost charges	5,229	31,795
	6,525,207	5,859,662
Capital Activities		
Acquisition of tangible capital assets	(3,529,790)	(5,141,152)
Investing Activities		
Decrease (increase) in temporary investments	804,077	(90,973)
Financing Activities		
Proceeds from long-term debt issue	3,500,000	193,990
Repayment of long-term debt	(289,968)	(277,166)
	3,210,032	(83,176)
Increase in cash and cash equivalents	7,009,526	544,361
Cash and cash equivalents, beginning of year	8,437,022	7,892,661
Cash and cash equivalents, end of year	15,446,548	8,437,022

The accompanying notes are an integral part of these financial statements

Corporation of the Town of Osoyoos

Notes to the Financial Statements

For the year ended December 31, 2019

The Corporation of the Town of Osoyoos (the "Town") was incorporated as a Town in 1983 under statute of the Province of British Columbia. Its principal activities include the provision of local government services to residents of the incorporated area. These include general government, protective, water, sewer, recreation and cultural, environmental, transportation, and public health services. The financial statements include the results of operations for all services.

1. Significant accounting policies

The financial statements of the Town are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of CPA Canada. Significant accounting policies adopted by the Town are as follows:

(a) Basis of accounting

The Town follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Budget Figures

The budget figures presented are from the Five Year Financial Plan Bylaw 1349.02, 2019 adopted by council. Subsequent amendments have been approved by council and are not reflected in the financial statement budget figures presented.

(c) Property tax revenue

Property tax revenue is recognized at the date property tax notices are issued, based on property assessment values issued by BC Assessment for the current year and tax rates established annually by bylaw. Assessments are subject to appeal and tax adjustments are recorded when the results of appeals are known.

(d) Government transfers

Government transfers are recognized as revenue in the period the transfers are authorized and any eligibility criteria have been met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability and recognized in the statement of operations as revenue as the stipulation liabilities are settled.

(e) Deferred revenue

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

Development cost charges are amounts which are restricted by government legislation or agreement with external parties. When qualifying expenses are incurred development cost charges are recognized as revenue in amounts which equal the associated expenses.

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

1. Significant accounting policies (*continued*)

(f) Investment income

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(g) Restricted surplus

The restricted surplus represents reserves set aside for future expenses. Non-statutory reserves represent an appropriation of surplus for specific purposes. Reserves for future capital expenditures represent funds to finance incomplete capital projects. Statutory reserves are restricted by the Community Charter and the associated municipal bylaws that establish the reserves. A schedule accompanying these financial statements provides details of the various restricted surpluses held and the changes during in the current year

(h) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with a term to maturity of 90 days or less at acquisition and readily convertible to cash.

(i) Long-term debt

Long-term debt is recorded net of principal repayments and actuarial adjustments.

(j) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Town is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2019. No liability has been recorded at December 31, 2019 as no contaminated sites exist.

(k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

1. Significant accounting policies (continued)

(i) Tangible capital assets

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

Asset	Useful life - years
Land improvements	15-25
Buildings	20-50
Furniture, equipment and vehicles	5-25
Roads and drainage	10-60
Water infrastructure	10-80
Sewer infrastructure	10-80

Annual amortization is charged in the year of acquisition. Amortization is charged to the date the asset is sold in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

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

(iii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(v) Interest capitalization

The Town does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(I) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period.

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

1. Significant accounting policies (*continued*)

Significant estimates include assumptions used in estimating provisions for accrued liabilities, estimated useful lives of tangible capital assets, valuation of accounts receivable, and landfill closure and post-closure liabilities.

Liabilities for contaminated sites are estimated based on the best information available regarding potential contamination where the Town is responsible.

(m) Debt charges

Debt principal repayments are not included in the statement of operations pursuant to PSAB disclosure. Interest expense is recorded on an accrual basis and is expensed to the current year operations.

(n) Deferred development cost charges

Certain user fees and development charges are collected for future services and acquisitions. These revenues are deferred and recognized in the period in which the specified expenses are incurred, services performed, or the tangible capital assets acquired.

(o) Employee future benefits

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

(p) Expenses

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

(q) Inventory

Inventory is valued at the lower of cost and net realizable value, with cost determined on a first-in, first-out basis.

(r) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(s) Prepaid expenses

Various items are included in prepaid expenses including insurance and deposits. These items are intended to be included in expenses in the next financial reporting period and as such are not considered financial instruments.

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

1. Significant accounting policies (continued)

(t) Tax collections for other governments

The Town is required by legislation to collect property taxes on behalf of other governments. These collections and requisitions are not included in the Town's financial statements as part of the statement of operations.

(u) Temporary investments

Temporary investments consist of Guaranteed Investment Certificates (GICs) with varying maturity dates between one and five years. These investments are carried at cost plus accrued interest which approximates the fair value due to the liquidity of the temporary investments.

(v) Trust funds

Trust funds and the related assets and liabilities held by the Town for cemetery care are not included in the statement of financial position. A Statement of Cemetery Care Trust Funds is provided for information purposes.

2. Cash

	2019	2018
General funds	12,710,820	6,022,811
Development cost charge fund	1,713,398	1,708,169
Federal Gas Tax funds	523,109	235,998
Resort Municipality funds	499,221	470,044
	15,446,548	8,437,022

3. Temporary investments

Interest earned on the various GIC's ranges from 1.00% to 2.75% (2018 – 1.40% to 2.50%) per annum depending on the maturity of the GIC and is accrued as earned over the term of the investment. All investments are held in the general fund.

4. Accounts Receivable

	2019	2018
Trade accounts and other receivables	888,035	1,951,537
Property taxes:		
- Current	178,332	247,977
- Arrears and delinquent	47,142	-
	1,113,509	2,199,514

5. Accounts payable and accrued liabilities

	2019	2018
Trade payables and accrued liabilities	1,109,153	746,123
Due to other governments	294,718	503,958
Deposits payable	160,057	142,482
Wages payable	135,710	124,537
	1,699,638	1,517,100

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

6. Deferred revenue

	2019	2018
Property taxes	812,201	711,950
Grants	668,931	128,765
Federal Gas Tax Funding (Community Works Fund)	523,109	235,998
Contributions from customers	426,000	425,000
Licenses	14,106	14,925
	2,456,347	1,516,638

Federal Gas Tax funding

Federal Gas Tax Funding (Community Works Fund) is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Town and the Union of British Columbia Municipalities. Federal Gas Tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

	2019	2018
Unspent funds, opening balance	235,998	474,259
Funding received during the year	538,373	269,206
Interest earned	9,255	6,240
Funds used	(260,518)	(513,707)
	523,109	235,998

7. Deferred development cost charges

	2019	2018
Development cost charges by category:		
Parks	814,096	728,384
Roads	604,112	556,863
Water	814,096	228,451
Sewer	64,137	211,652
Storm drains	(13,974)	(17,181)
	1,713,398	1,708,169

	2019	2018
Development cost charges, opening balance	1,708,169	1,676,374
Return on investments	39,469	31,795
Contributions from developers	166,352	-
Acquisitions of tangible capital assets	(200,592)	-
Development cost charges, closing balance	1,713,398	1,708,169

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

8. Long-term debt

	2019	2018
Outstanding debt, beginning of year	6,806,221	6,947,158
Issues of debt	3,500,000	193,990
Repayment of debt	(289,968)	(277,166)
Actuarial reduction of debt	(41,593)	(57,761)
	9,974,660	6,806,221

Bylaw	Year Maturing	% Rate	Cash Payments		Actuarial Adjustment	Balance Outstanding	
			Interest	Principal		2019	2018
0003-0	2019	-	-	1,595	-	-	1,595
0004-0	2019	-	-	2,209	-	-	2,209
0005-0	2019	-	-	1,020	-	-	1,020
0006-0	2019	-	-	7,949	-	-	7,949
0007-0	2019	-	-	30,293	-	-	30,293
0001-1	2020	-	-	12,597	-	181,061	193,658
0002-0	2021	-	-	25,690	-	31,104	56,794
0008-0	2022	-	-	4,463	-	10,523	14,986
0009-0	2023	-	-	20,726	-	73,994	94,720
0010-0	2023	-	-	6,811	-	28,295	35,106
0011-0	2023	-	-	9,572	-	40,428	50,000
1258	2030	3.80%	7,336	6,604	2,434	126,774	135,812
1290	2033	3.85%	11,059	9,646	2,090	223,266	235,002
1306	2047	2.80%	160,724	120,653	3,620	5,495,220	5,619,493
1185	2020	4.78%	8,664	9,194	9,919	86,499	105,612
1152	2021	3.05%	196	676	874	3,336	4,886
1153	2021	3.05%	75	261	337	1,286	1,884
1154	2021	3.05%	1,988	3,436	4,438	16,948	24,822
1184	2023	4.78%	15,618	16,573	17,881	155,926	190,380
1347	2039	2.66%	-	-	-	3,500,000	-
			205,660	289,968	41,593	9,974,660	6,806,221

The estimated aggregate repayments on long-term debt over the next five years are as follows:

2020	430,077
2021	439,319
2022	437,127
2023	434,580
2024	370,698

Interest paid on the long-term debt totaled \$205,660 (2018 - \$206,572) and is expensed in the segment to which the debt relates (see Note 16). The actuarial adjustment for the year was \$41,593 (2018 - \$57,761).

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

9. Landfill closure and post-closure liability

The provincial Waste Management Act, as well as the B.C. Landfill Criteria for Municipal Solid Waste, sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. The Town is committed to ensuring that the landfill in its care is managed in a fiscally responsible manner, which has included setting aside funds to pay for landfill closure and post-closure activities in accordance with the Solid Waste Management Plan which was updated in 2018. Landfill closure and post-closure requirements have been defined in accordance with industry standards and remediation activities include final covering of the site, groundwater and surface water monitoring, maintenance of the drainage structure, site inspection and environmental monitoring. Post-closure care is estimated to continue for 30 years after final closure of the landfill site, which is planned for 2042. Based on current estimates, remaining capacity of the landfill is 79.3% (2018 – 81.5%).

This requirement is being provided for based on a number of factors including the percentage of landfill capacity already filled, usage based on tipping fees and consultant estimates, the projected closure dates, the regulated monitoring period, the estimated annual management costs and a present value discount rate. As at December 31, 2019, using the most recent closure plans and updated cost estimates for closure and post-closure care, the Town has estimated its liability for these costs at \$210,062 (2018 - \$176,000). The unspent reserves that were established towards funding the landfill closure and post-closure care costs form part of the accumulated surplus and had a balance of \$359,438 at December 31, 2019 (2018 - \$373,500).

The estimate for closure and post-closure liability in these financial statements has been calculated based on consultants' estimates in their preparation of the closure plans for the landfill and estimated timing of closure projects. The 2019 increase in closure and post-closure costs of \$34,062 (2018 - \$20,000) has been included in the environmental health services repairs and maintenance expenses.

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

10. Tangible capital assets

2019	Land & Improvements	Buildings	Furniture, Equipment & Vehicles	Roads & Drainage	Water Infrastructure	Sewer Infrastructure	Total
Cost							
Balance, beginning of year	15,616,684	13,350,245	3,820,637	25,435,226	14,773,481	24,373,490	97,369,763
Additions	325,116	201,547	249,608	382,731	76,055	2,294,733	3,529,790
Disposals	-	-	-	-	-	-	-
Balance, end of year	15,941,800	13,551,792	4,070,245	25,817,957	14,849,536	26,668,223	100,899,553
Accumulated amortization							
Balance, beginning of year	1,596,572	4,022,701	2,643,239	8,987,857	4,502,859	6,392,615	28,145,843
Amortization expense	203,541	392,022	211,199	579,715	244,580	460,746	2,091,803
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	1,800,113	4,414,723	2,854,438	9,567,572	4,747,439	6,853,361	30,237,646
Net book value, end of year	14,141,687	9,137,069	1,215,807	16,250,385	10,102,097	19,814,862	70,661,907

Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

10. Tangible capital assets (continued)

2018	Land & Improvements	Buildings	Furniture, Equipment & Vehicles	Roads & Drainage	Water Infrastructure	Sewer Infrastructure	Total
Cost							
Balance, beginning of year	14,497,337	13,337,336	3,626,853	23,128,622	13,681,563	23,357,782	91,629,493
Additions	1,119,347	12,909	294,666	2,306,604	1,091,918	1,015,708	5,841,152
Disposals	-	-	(100,882)	-	-	-	(100,882)
Balance, end of year	15,616,684	13,350,245	3,820,637	25,435,226	14,773,481	24,373,490	97,369,763
Accumulated amortization							
Balance, beginning of year	1,401,751	3,647,678	2,564,079	8,462,829	4,276,897	5,951,480	26,304,714
Amortization expense	194,821	375,023	180,042	525,028	225,962	441,135	1,942,011
Accumulated amortization on disposals	-	-	(100,882)	-	-	-	(100,882)
Balance, end of year	1,596,572	4,022,701	2,643,329	8,987,857	4,502,859	6,392,615	28,145,843
Net book value, end of year	14,020,112	9,327,544	1,177,398	16,447,369	10,270,622	17,980,875	69,223,920

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

11. Accumulated Surplus

Accumulated surplus is represented by:

	2019	2018
Unrestricted surplus	6,895,931	6,318,394
Restricted surplus (<i>Schedule 1</i>)	12,068,113	9,093,752
Equity in tangible capital assets	60,687,246	62,417,699
	79,651,291	77,829,845

12. Commitments and contingencies

- a) The Town, as a member of the Regional District of the Okanagan-Similkameen ("RDOS") and the Regional Hospital District ("RHD"), is responsible for its portion of any operating deficits or long-term debt related to functions in which it participates. Under provisions of the Local Government Act, the RDOS debt is a joint and several liability of the RDOS and each of its member municipalities.
- b) 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 are based on a formula. As at December 31, 2018, the Plan has approximately 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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 unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Corporation of the Town of Osoyoos paid \$255,761 (2018 - \$230,646) for employer contributions to the Plan in fiscal 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in consistent and reliable basis for allocating the obligation, assets, and cost to the individual employers participating in the Plan.

- c) Debentures are covered by a loan agreement with the Municipal Finance Authority of British Columbia (the "MFABC") which provides that, if at any time the payments provided for in the agreement are not sufficient to meet the authority's obligations in respect of such borrowings, the resulting deficiency becomes a proportional liability of each local government member. As these demand notes are contingent in nature, no liability is recorded.

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

- d) The Town is currently engaged in certain legal actions, the outcomes of which are not determinable at this time. Accordingly, no provision has been made in the accounts for these actions. The amount of loss, if any, arising from these actions will be recorded in the accounts in the period in which the loss becomes estimable and likely.
- e) The Town rents a space for a fire hall under an annual operating lease which expires in May 2024. Future minimum payments under the operating lease for the firehall space are as follows:

2020	15,114
2021	15,474
2022	15,834
2023	16,194
2024	6,810

- f) The Town, along with the Regional District of Okanagan Similkameen (Regional District), jointly appoints members to a recreation commission having responsibility for the management of the Sun Bowl Arena. The Town provides management services under a contract that allows for the supervision and operation of the Sun Bowl Arena. The operations of Sun Bowl Arena are wholly consolidated by the Regional District.

13. Municipal Finance Authority of BC deposits

The Town issues its debt instruments through debenture financing obtained from the MFABC. A condition of the MFABC borrowing is that a portion of the debenture proceeds are withheld by the MFABC as a debt reserve fund. The Town executes demand notes in connection with each debenture and the related debt reserve, whereby the Town may be required to loan certain amounts to the MFABC (see Note 12c). The details of the cash deposits and demand notes at the year-end are as follows:

	Demand Notes	Cash Deposits	2019	2018
General fund	95,771	66,873	162,644	161,122
Sewer fund	89,191	46,809	135,999	31,279
Water fund	9,899	5,843	15,742	15,609
Total	194,860	119,525	314,385	208,010

14. Government transfers

Government transfers are included in the revenues identified as Grants – provincial, Grants – other, and Grants in lieu of taxes. In 2019, the Town received and recorded as revenue the following transfers:

	2019	2018
Unconditional transfers		
Federal	14,336	13,646
Provincial	500,278	1,738,574
Municipal	76,410	70,527
	591,024	1,822,747
Conditional transfers		
Provincial	1,061,149	2,066,216
Municipal	655,038	425,481
	1,716,187	2,491,697
Total government transfers	2,307,211	4,314,444

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

15. Budget amounts

The budget data presented in these financial statements is based upon the 2019 operating and capital budgets adopted by Council on February 6, 2019. The following table reconciles the approved budget to the budget figures reported in these financial statements.

	Budget amount
Excess of revenue over expenses	7,682,876
Adjust for budgeted cash items not included in statement of operations	
Borrowing Proceeds	5,978,859
Transfer from reserves and prior year surplus	4,747,355
Transfer to reserves and other governments	(560,100)
Tangible capital asset acquisitions	(17,681,830)
MFA debt principal repayments	(167,160)
Total adjustments	(7,682,876)
Balanced budget per financial plan	-

16. Segmented information

The Corporation of the Town of Osoyoos is a municipal government that provides a range of services to the citizens of Osoyoos and area. The Town is governed by an elected Council comprised of a Mayor, four Councilors, and two Water Councilors, whose authority is set out in the Community Charter and Local Government Act. The Town operations are organized and reported by Fund. The Funds have been segmented into the various services provided and summarized below.

General government services include administration, finance, legislative, information, customer services, and human resources functions. Revenue and expenses in this segment relate to operations of the Town and cannot be directly attributed to another segment.

Protective services includes fire protection, bylaw enforcement, animal control, community planning and development services, and occupational health and safety functions of the Town. Fire protection is provided by a fire chief and volunteer members whose duties include inspections, enforcement, and fire suppression.

Transportation services include road and sidewalk maintenance, street lighting maintenance, storm drain maintenance, snow removal, and the equipment used within these functions.

Environmental services include garbage collection, recycling, and landfill operations of the Town.

Recreation and cultural services include various recreational programs, the Desert Park facility, Sun Bowl arena, the Sonora Centre, the marina, the museum, the library and the parks operations.

Public health services include the operations related to South Okanagan Emergency Preparedness, Emergency Social Services, the health centre and cemetery functions.

Sewer services include the operating activities of the Sewer Fund that relate to the collection and treatment of wastewater, maintenance of the related equipment, and capital upgrade of the sewer system of the Town.

Water services include the operating activities of the Water Fund that relate to the treatment, distribution, maintenance, and capital upgrade of the water system of the Town and the outlying Irrigation District.

Corporation of the Town of Osoyoos
Notes to the Financial Statements

For the year ended December 31, 2019

16. Segmented information (continued)

2019	General Government	Protective Services	Transportation Services	Environmental Services	Recreation & cultural services	Public health services	Sewer services	Water services	Total
Revenues									
Sale of services	-	196,487	-	-	195,865	45,852	1,807,514	2,446,262	4,691,980
Taxation – net	4,198,285	-	-	-	-	-	-	-	4,198,285
Grants – provincial	914,534	-	2,270	-	530,047	-	40,000	74,575	1,561,426
Solid waste management	-	-	-	924,413	-	-	-	-	924,413
Grants – other	-	245,538	-	-	474,632	-	11,279	-	731,449
Return on investments	332,715	-	-	-	-	-	-	-	332,715
Admin & recoveries	227,389	10,568	-	-	-	-	32,000	1,610	271,567
Licences, rentals, fines	21,748	100,650	2,500	-	111,563	-	4,870	15,851	257,182
Contribution from DCCs	-	-	-	-	-	-	200,592	-	200,592
Penalties and interest	63,853	-	-	-	-	-	-	10,079	73,932
Franchise fees	59,323	-	-	-	-	-	-	-	59,323
Actuarial adjustment	8,144	-	-	-	-	-	22,319	11,130	41,593
Grants in lieu of taxes	14,336	-	-	-	-	-	-	-	14,336
Donations	9,476	-	-	-	-	-	-	-	9,476
Land and equipment sales	1220	-	-	-	-	-	-	-	1,220
	5,851,023	553,243	4,770	924,413	1,312,107	45,852	2,118,574	2,559,507	13,369,489
Expenses									
Wages and benefits	501,862	620,659	235,076	67,867	925,188	29,007	702,741	881,382	3,963,782
Amortization	1,386,477	-	-	-	-	-	460,746	244,580	2,091,803
Maintenance & supplies	311,845	270,236	234,797	114,176	414,370	19,301	248,327	414,871	2,027,923
Contracted services	21,300	1,028,585	-	473,200	-	-	-	-	1,523,085
Utilities and telephone	61,621	26,681	80,038	-	44,285	1,070	184,560	242,107	640,362
Grants	372,844	-	-	-	-	-	-	-	372,844
Other	24,393	70,355	116,487	91,243	11,196	-	-	-	313,674
Admin charges	-	-	-	-	-	1,500	120,000	126,176	247,676
Debt charges - interest	179,119	-	-	-	-	-	17,606	8,935	205,660
Insurance	155,169	6,065	-	-	-	-	-	-	161,234
	3,014,630	2,022,581	666,398	746,486	1,395,039	50,878	1,733,980	1,918,051	11,548,043
Annual surplus (deficit)	2,836,393	(1,469,338)	(661,628)	177,927	(82,932)	(5,026)	384,594	641,456	1,821,446

Corporation of the Town of Osoyoos
Notes to the Financial Statements

For the year ended December 31, 2019

16. Segmented information (continued)

2018	General Government	Protective Services	Transportation Services	Environmental Services	Recreation & cultural services	Public health services	Sewer services	Water services	Total
Revenues									
Sale of services	-	190,153	-	-	177,177	50,554	1,760,088	2,365,071	4,543,043
Taxation – net	3,898,668	-	-	-	-	-	-	-	3,898,668
Grants – provincial	2,659,845	-	2,382	-	387,873	-	383,889	370,800	3,804,789
Land and equipment sales	1,223,918	-	-	-	-	-	-	-	1,223,918
Solid waste management	-	-	-	904,388	-	-	-	-	904,388
Donations	703,086	-	-	-	-	-	-	-	703,086
Grants – other	-	175,455	-	-	309,275	-	11,278	-	496,008
Admin & recoveries	141,954	3,188	-	-	-	-	255,789	-	400,931
Return on investments	255,862	-	-	-	-	-	-	-	255,862
Licences, rentals, fines	43,913	88,088	2,500	-	82,852	-	12,230	17,713	247,296
Penalties and interest	57,280	-	-	-	-	-	-	9,157	66,437
Franchise fees	64,367	-	-	-	-	-	-	-	64,367
Actuarial adjustment	3,725	-	-	-	-	-	43,919	10,117	57,761
Grants in lieu of taxes	13,647	-	-	-	-	-	-	-	13,647
Contributions from DCCs	-	-	-	-	-	-	-	-	-
	9,066,265	456,884	4,882	904,388	957,177	50,554	2,467,193	2,772,858	16,680,201
Expenses									
Wages and benefits	468,625	393,313	202,542	55,104	811,641	24,350	666,745	793,284	3,415,604
Amortization	1,274,914	-	-	-	-	-	441,135	225,962	1,942,011
Maintenance & supplies	412,720	122,453	265,483	57,747	469,777	17,584	175,132	279,620	1,800,516
Contracted services	30,160	742,803	-	447,628	-	-	-	-	1,220,591
Grants	712,298	-	-	-	-	-	-	-	712,298
Utilities and telephone	64,312	25,586	85,250	-	44,671	564	162,170	259,900	642,453
Other	4,447	126,178	105,248	77,173	11,828	-	-	-	324,874
Admin charges	-	-	-	-	-	1,500	121,902	125,000	248,402
Debt charges - interest	179,119	-	-	-	-	-	19,615	7,838	206,572
Insurance	138,026	5,629	-	-	-	-	-	-	143,655
	3,284,621	1,415,962	658,523	637,652	1,337,917	43,998	1,586,699	1,691,604	10,656,976
Annual surplus (deficit)	5,781,644	(959,078)	(653,641)	266,736	(380,740)	6,556	880,494	1,081,254	6,023,225

Corporation of the Town of Osoyoos
Notes to the Financial Statements
For the year ended December 31, 2019

17. Subsequent events

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus) and was declared a pandemic on March 12, 2020 by the World Health Organization, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Town of Osoyoos as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

18. Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation.

Corporation of the Town of Osoyoos
Restricted Surplus - Reserves for Future Expenses
Schedule 1
For the year ended December 31, 2019

	Opening balance	Transfer to	Transfer from	Closing balance
General Capital Fund				
Land acquisitions - statutory	1,615,000	-	-	1,615,000
General Reserves fund	690,418	169,899	-	860,317
R.C.M.P.	707,649	19,000	(46,760)	679,889
Resort Municipality fund	470,043	434,783	(405,605)	499,221
Landfill post-closure	373,500	-	(14,062)	359,438
Fire department	291,871	38,000	-	329,871
Landfill future use	220,000	-	-	220,000
Roads - Mariposa	83,000	-	-	83,000
Water/recycling initiatives	40,000	10,000	-	50,000
Marina	31,971	11,500	-	43,471
Museum land restoration	40,000	-	-	40,000
Cemetery operations	25,983	-	-	25,983
Park development - statutory	21,733	-	-	21,733
Desert Park	8,013	-	-	8,013
Environmental projects	5,223	-	-	5,223
Bursaries	11,000	3,000	(10,600)	3,400
	4,635,404	686,182	(477,027)	4,844,559
Water Capital Fund				
Equipment replacement	2,181,024	490,696	(39,945)	2,631,775
Water metering	375,000	125,000	-	500,000
Leak detection / line cleaning	140,000	-	-	140,000
Water pump and motor replacement	81,220	-	-	81,220
Reservoir cleaning	70,000	-	-	70,000
	2,847,244	615,696	(39,945)	3,422,995
Sewer Capital Fund				
Equipment replacement	1,611,104	2,206,091	(16,636)	3,800,559
Total restricted surplus	9,093,752	3,507,969	(533,608)	12,068,113

Corporation of the Town of Osoyoos
Schedule of Property and Other Taxes
Schedule 2

For the year ended December 31, 2019

	Budget (Note 15)	2019	2018
Taxation			
General Municipal purposes	4,084,878	4,078,350	3,789,307
Regional District Okanagan-Similkameen	839,268	839,276	783,571
1% Utility tax	123,750	125,793	114,428
Collection for Other Governments			
School District	3,799,396	3,796,896	3,728,839
Reginal Hospital District	524,154	524,154	525,546
Okanagan Reginal Library	254,205	254,205	256,572
B.C. Assessment Authority	82,188	82,119	81,352
Municipal Finance Authority	400	400	371
	9,708,239	9,701,193	9,279,986
Requisitions Paid			
School District	3,807,596	3,802,604	3,733,574
Regional District	839,268	839,268	783,574
Regional Hospital Distrction	524,154	524,154	525,546
Okanagan Reginal Library	254,205	254,205	256,572
B.C. Assessment Authority	82,588	82,277	81,681
Municipal Finance Authority	400	400	371
	5,508,211	5,502,908	5,381,318
Taxation - Net	4,200,028	4,198,285	3,898,668

Corporation of the Town of Osoyoos
Statement of Cemetery Care Trust Fund
Statement of Financial Position
As at December 31, 2019

	2019	2018
<hr/>		
Assets		
Cash	78,269	74,203
Temporary investments	18,000	18,000
Due from ther funds	832	2,262
	<hr/> 97,101 <hr/>	94,465
Equity		
Balance, beginning of year	94,465	90,742
Contributions	2,636	3,723
	<hr/> 97,101 <hr/>	94,465

The Cemetery Care Trust funds are administered by the Town have not been included in the statement of financial position. The trust fund is used for the perpetual maintenance of the cemetery.