



**THE CORPORATION OF THE CITY OF PENTICTON**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT**

**DECEMBER 31, 2010**



## THE CORPORATION OF THE CITY OF PENTICTON

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## REEVES AND MAYORS

### THE CORPORATION OF THE CITY OF PENTICTON FROM INCORPORATION

#### REEVES

1909	Alfred H. Wade
1910 – 1911	E. Foley-Bennett
1912	Capt. I.M. Stevens
1913	E. Foley-Bennett
1914 – 1916	Robert Scott Conklin
1917	William Alexander McKenzie
1918 – 1919	Frederick Maurice Smith
1920 – 1923	Edward John Chambers
1924 – 1925	James Kirkpatrick
1926 – 1927	Geo. A.M. Macdonald
1928	James Kirkpatrick
1929 – 1931	Geo. A.B. Macdonald
1931 – 1935	Charles E. Oliver
1936	H.B. Morley
1937 – 1940	W. Gordon Wilkins
1941 – 1942	R.J. McDougall
1943 – 1944	Robert Lyon
1945	R.J. McDougall
1946 – 1947	Robert Lyon

#### MAYORS

1948 – 1949	Robert Lyon
1950 – 1953	William A. Rathbun
1954 – 1957	C. Oscar Matson
1957 – 1961	Charles E. Oliver
1962 – 1967	Maurice P. Finnerty
1968 – 1971	F.D. Stuart
1972 – 1975	F.W. Laird
1976 – 1979	K.A. Kenyon
1979 – 1980	J.J. Winkelaar
1980 – 1986	I.C. Messmer
1986 – 1990	Dorothy Whittaker
1990 – 1996	G.J. Kimberley
1996 – 1999	Beth Campbell
1999 – 2002	M.L. (Mike) Pearce
2002 – 2005	C. David Perry
2005 – 2008	G.J. Kimberley
2008 -	Dan Ashton

**DIRECTORY OF COUNCIL AND CITY OFFICIALS  
2010**

**COUNCIL**

**MAYOR**

Dan Ashton

**COUNCILLORS**

Daniel Albas

Andrew Jakubeit

Judy Sentes

Mike Pearce

Garry Litke

John Vassilaki

**CITY OFFICIALS**

Chief Administrative Officer

A. Antoniak

Clerk

C. Ingram

Chief Financial Officer

D. Leahy

Director of Operations

M. Moroziuk

Fire Chief

W. Williams

R.C.M.P. Inspector

B. Haugli

CITY AUDITORS

BDO Canada LLP

CITY SOLICITORS

Gilchrist & Co.

BANKERS

HSBC Bank Canada  
Valley First Credit Union

# CHIEF FINANCIAL OFFICER'S REPORT

May 2011

Mayor and Council  
The Corporation of the City of Penticton

Your Worship and Members of Council:

In accordance with Section 167(1) of the *Community Charter*, I am pleased to submit the 2010 Annual Financial Report of the City of Penticton for the fiscal year ended December 31, 2010. The report includes the Auditors' Report, the 2010 audited financial statements, and supplementary information for the City of Penticton.

The financial statements were prepared by City staff in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. These statements were audited by BDO Canada LLP and their responsibility was to express an opinion based on the results of their audit. The audit was planned and performed to obtain reasonable assurance as to whether the financial statements were free of material error or misstatement.

The operations of the City of Penticton are segregated into various funds for accounting and financial reporting purposes. The funds are as follows:

<i>General Fund</i>	<i>Sanitary Sewer Utility Fund</i>
<i>Water Utility Fund</i>	<i>Electric Utility Fund</i>
<i>Reserve Funds</i>	

The Annual Report includes the financial statements for each entity as well as on a consolidated basis for all entities. The highlights from these reports are summarized below:

## **CAPITAL EXPENDITURES**

	<b><u>2010</u></b>	<b><u>2009</u></b>
<i>General Fund</i>	\$20,279,175	\$7,960,686
<i>Sewer Fund</i>	14,937,277	8,859,237
<i>Water Fund</i>	4,220,785	9,752,537
<i>Electric Fund</i>	<u>1,450,500</u>	<u>1,379,105</u>
<b>Total Capital Expenditures</b>	<b><u>\$40,887,737</u></b>	<b><u>\$27,951,565</u></b>

Major capital projects included in the above summary are:

### **General Capital**

<i>Pool Renovations</i>	\$16,990,791
<i>City-wide Transportation Works</i>	2,323,368
<i>Parks – Landscape and Development</i>	117,005
<i>Information and Technology Works</i>	309,084
<i>City Fleet Equipment</i>	113,110
<i>Fire Department Equipment</i>	78,662

### **Utilities**

<i>Sewer Mains</i>	\$439,137
<i>Sewer Treatment Plant Works</i>	14,478,438
<i>Water Mains</i>	3,448,744
<i>Water Plant</i>	413,846
<i>Electric Utility Services</i>	320,792
<i>Electric Utility Line Reconstruction</i>	317,014
<i>Electric Utility Voltage Conversion Program</i>	496,790

**Operating Expenditures and Debt Charges** (excludes transfers to other funds and reserves)

		<u>2010</u>	<u>2009</u>
<i>General Fund</i>	Operating	\$37,284,680	\$38,810,383
	Debt	<u>7,372,393</u>	<u>7,100,203</u>
		<b><u>\$44,657,073</u></b>	<b><u>\$45,910,586</u></b>
<i>Sewer Fund</i>	Operating	\$2,404,923	\$2,288,772
	Debt	<u>1,343,440</u>	<u>870,073</u>
		<b><u>\$3,748,363</u></b>	<b><u>\$3,158,845</u></b>
<i>Water Fund</i>	Operating	\$2,970,532	\$2,950,781
	Debt	<u>1,306,271</u>	<u>1,111,562</u>
		<b><u>\$4,276,803</u></b>	<b><u>\$4,062,343</u></b>
<i>Electric Fund</i>	Operating	<b><u>\$23,444,760</u></b>	<b><u>\$22,555,977</u></b>
<b>TOTAL NET OPERATING EXPENDITURES</b>		<b><u>\$76,127,999</u></b>	<b><u>\$75,687,751</u></b>

**Financial Statistics**

	<u>2010</u>	<u>2009</u>
<i>Real Property Taxes</i>	\$24,633,528	\$23,834,195
<i>Collection of Taxes for Other Governments</i>	20,263,503	19,814,495
<i>Long Term Debt Outstanding</i>	80,614,841	78,745,836
<i>Per Capita Debt – General Purposes</i>	1620	1,520
<i>Per Capita Debt – Utilities</i>	919	948

**Investment Earnings**

Investment of all excess Revenue and Reserve Funds generated \$1,215,239 in 2010 compared to \$1,267,963 in 2009. Our portfolio is comprised equally of money market and term deposits maturing within a year and long-term bonds.

**General Fund**

The general revenue fund generated a surplus of \$1,760,266. This comprised of unexpended funds in capital of \$1,433,530 and \$326,736 from operations. The accumulated surplus is \$2,948,138.

**Utilities**

In 2010, the Sewer Utility generated a surplus of \$1,020,538. The accumulated surplus is \$5,833,014.


The 2010 Water Utility generated a surplus of \$517,856. Council authorized a transfer from surplus in the amount of \$1,709,000 for City works involved with the Sendero Canyon development. The net transfer from the Water Utility accumulated surplus was \$1,191,145. The accumulated surplus is \$1,680,599.

The Electric Utility generated an operating surplus of \$334,098. The accumulated surplus is \$7,258,765.

**Library**

The Statement of Revenue and Expenditure for the Penticton Public Library is presented in this report. Library revenue reflects a City grant of \$934,719 which includes an allowance of \$188,800 for building and administration costs, and \$11,153 for equipment depreciation.

Respectfully submitted,

  
Doug Leahy  
Chief Financial Officer



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## Auditors' Report

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**To the Mayor and Council  
Corporation of the City of Penticton**

We have audited the accompanying financial statements of the Corporation of the City of Penticton, which comprise the statement of financial position as at December 31, 2010, and the statement of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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.



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102 - 100 Front Street  
Penticton BC V2A 1H1 Canada

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Penticton as at December 31, 2010 and the results of its operation, change in net debt, and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO CANADA LLP*

Chartered Accountants

Penticton, British Columbia  
May 3, 2011



**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

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**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u> <u>(restated)</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ -	\$ 4,489,154
Term Deposits	50,666,180	49,424,043
Accounts Receivable (Note 1)	<u>19,243,920</u>	<u>15,004,051</u>
	<u>69,910,100</u>	<u>68,917,248</u>
<b>FINANCIAL LIABILITIES</b>		
Bank Indebtedness (Note 11)	1,511,938	-
Development Cost Charges Reserve Fund (Note 2)	4,907,333	4,729,022
Trade Accounts Payable and Accrued Liabilities	19,355,954	14,396,867
Deferred Revenues	3,776,129	3,978,353
Deposits	1,849,015	1,787,830
Penticton Public Library	53,003	63,623
Long Term Debt (Note 8)	<u>80,614,841</u>	<u>78,745,836</u>
	<u>112,068,213</u>	<u>103,701,531</u>
<b>NET DEBT</b>	<b>\$ (42,158,113)</b>	<b>\$ (34,784,283)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets (Note 9)	\$ 315,755,784	\$ 288,430,880
Inventories of Supplies	2,710,430	2,778,412
Prepaid Expenses	<u>118,707</u>	<u>128,078</u>
	318,584,921	291,337,370
<b>ACCUMULATED SURPLUS</b>	<b>\$ <u>276,426,808</u></b>	<b>\$ <u>256,553,087</u></b>

See accompanying notes to financial statements.

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

**STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2010**

	<b>2010 Budget (unaudited)</b>	<b>2010</b>	<b>2009 (restated)</b>
<b>REVENUE</b>			
Taxation	\$ 26,933,181	\$ 26,949,981	\$ 25,836,251
Sales of Services	54,622,500	49,544,723	49,053,415
Government Grants and Transfers	18,323,386	15,823,036	9,210,273
Other Revenue from Own Sources	10,130,017	11,249,085	10,164,533
Revenue - MFA	-	2,446	3,811
Other Contributions	<u>772,000</u>	<u>274,552</u>	<u>1,190,173</u>
	<u>110,781,084</u>	<u>103,843,823</u>	<u>95,458,456</u>
<b>EXPENDITURE (Note 10)</b>			
General Government Services	7,896,892	13,586,096	11,176,203
Protective Services	13,761,014	13,242,139	13,128,325
Transportation Services	5,765,468	7,399,919	6,451,762
Environmental Health Services	1,341,542	1,200,176	1,158,359
Public Health and Safety	273,520	276,691	279,829
Environmental Development Services	2,429,870	2,049,521	2,153,892
Recreation and Culture	10,876,024	11,207,685	10,604,338
Electrical Supply	23,607,783	26,848,394	20,960,536
Sewer System Utility	3,280,878	3,617,367	2,607,419
Water Utility Services	<u>3,863,579</u>	<u>4,542,114</u>	<u>3,668,917</u>
	<u>73,096,570</u>	<u>83,970,102</u>	<u>72,189,580</u>
<b>ANNUAL SURPLUS</b>	37,684,514	19,873,721	23,268,876
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>			
Balance, Beginning of Year, as Previously Reported	248,918,237	248,918,237	240,940,077
Prior Period Adjustment (Note 6)	<u>-</u>	<u>7,634,850</u>	<u>(7,655,866)</u>
As Restated	<u>248,918,237</u>	<u>256,553,087</u>	<u>233,284,211</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 286,602,751</u>	<u>\$ 276,426,808</u>	<u>\$ 256,553,087</u>

See accompanying notes to financial statements.

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

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**STATEMENT OF CHANGE IN NET DEBT  
YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u> <u>(restated)</u>
Annual Surplus	\$ 19,873,721	\$ 23,268,876
Acquisition of Tangible Capital Assets	(38,126,746)	(36,808,599)
Amortization of Tangible Capital Assets	10,645,212	10,188,955
Disposals of Tangible Capital Assets	<u>156,631</u>	<u>72,342</u>
	<u>(7,451,182)</u>	<u>(3,278,426)</u>
Acquisition of Prepaid Expense	9,371	158,130
Consumption of Supplies Inventories	<u>67,981</u>	<u>20,486</u>
	<u>77,352</u>	<u>178,616</u>
Decrease in Net Financial Assets	(7,373,830)	(3,099,810)
Net Debt, Beginning of Year	(34,784,283)	(31,684,473)
Net Debt, End of Year	<u>\$ (42,158,113)</u>	<u>\$ (34,784,283)</u>

See accompanying notes to financial statements.

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

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**STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u> <u>(restated)</u>
Operating Transactions		
Annual Surplus	\$ 19,873,721	\$ 23,268,876
Change in Non-Cash Operating Items		
Increase in accounts receivable	(4,239,869)	(7,185,959)
Increase (Decrease) in Trade Accounts Payable and Accrued Liabilities	4,985,739	(8,056,703)
Decrease in prepaid expenses	9,371	158,130
Decrease in Inventory	67,981	20,486
Increase in Assets Disposed Of	156,631	72,342
Amortization	<u>10,645,212</u>	<u>10,188,955</u>
	<u>11,625,065</u>	<u>(4,802,749)</u>
Cash Provided by Operating Activities	31,498,786	18,466,127
Capital Transactions		
Cash Used to Acquire Tangible Capital Assets	(38,126,746)	(36,808,599)
Financing Transactions		
Debt Proceeds	7,986,000	11,619,400
Debt Repayment	<u>(6,116,995)</u>	<u>(5,484,136)</u>
Cash Provided by Financing Transactions	<u>1,869,005</u>	<u>6,135,264</u>
Investing Transactions		
Decrease (Increase) in Term Deposits	(1,242,137)	8,452,619
Change in Cash	(6,001,092)	(3,754,589)
Cash, Beginning of Year	<u>4,489,154</u>	<u>8,243,743</u>
Cash and Bank Indebtedness, End of Year	<u>\$ (1,511,938)</u>	<u>\$ 4,489,154</u>

See accompanying notes to financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
DECEMBER 31, 2010**

**Management's Responsibility for the Financial Statements**

The financial statements of the City are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The Corporation of the City of Penticton ("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**

The financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the City. All inter-entity transactions and balances have been eliminated.

**Interfund Balances and Transactions**

All material interfund transactions and balances have been eliminated within the Financial Statements.

**Deferred Revenue**

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

**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 on an accrual basis.

**Financial Instruments**

The City's financial instruments consist of cash and term deposits, accounts receivable, accrued interest receivable, Municipal Finance Authority, bank indebtedness, trade accounts payable and accrued liabilities, deposits and long term debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

**Municipal Finance Authority**

Cash Deposits and Demand Notes - The City issues the majority of its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the Municipal Finance Authority as a debt reserve fund. 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. These demand notes are contingent in nature.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
DECEMBER 31, 2010**

**Tangible Capital Assets**

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

Tangible capital assets are recorded at cost, net of capital asset disposals, write-downs and 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 life of the tangible capital asset commencing once the asset is available for productive use as follows:

Buildings	20 to 70 years
Roads and Sidewalks	25 to 75 years
Machinery and Equipment	5 to 20 years
Water Infrastructure	10 to 100 years
Sewer Infrastructure	10 to 100 years
Electrical Infrastructure	20 to 25 years
Parks and Recreation Infrastructure	10 to 50 years
Vehicles	5 to 20 years
Furniture and Equipment	10 to 15 years
Computer Hardware and Software	4 to 10 years

**Reserve for Future Expenditure**

Reserves for future expenditure are non-statutory reserves which represent an appropriation of surplus for specific purposes. Transfers to reserves for future expenditure include funds to finance incomplete projects and accumulations for specific purposes.

**Statutory Reserve Funds**

The use of these funds is restricted by the Community Charter and associated Municipal Bylaws. Statutory reserve funds are funded 100% by cash and temporary investments.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of employee benefit plans, allowance for doubtful accounts receivable, provision for contingencies and prior years tangible capital asset historical costs and related amortization. Actual results could differ from management's best estimates as additional information becomes available in the future. Adjustments, if any, will be reflected in the financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.

**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.

**Comparative Figures**

Comparative figures have changed to reflect the current year financial statement presentation.

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**1. Accounts Receivable**

	<u>2010</u>	<u>2009</u>
Property Taxes	\$ 1,174,769	\$ 1,397,702
Other Receivables	2,454,383	1,681,442
Federal Government	2,506,274	349,634
Provincial Government	9,717,887	8,621,333
Regional District of Okanagan Similkameen	15,388	35,980
Other Government Agencies	8,430	8,050
Utility Rates Receivable	3,088,800	2,442,780
Accrued Interest Receivable	<u>277,989</u>	<u>467,130</u>
	<u>\$ 19,243,920</u>	<u>\$ 15,004,051</u>

**2. Development Cost Charges Reserve Fund (DCC)**

The City collects development cost charges to pay for a proportionate share of infrastructure related to new growth. In accordance with the *Local Government Act* of BC, these funds must be deposited into a separate reserve fund. When the related costs are incurred, the DCCs are recognized as revenue.

DCC by Type	<u>2010</u>	<u>2009</u>
Roads	\$ 294,700	\$ 328,911
Parks	30,563	178,502
Drainage	751,134	701,882
Waste Water	3,023,380	2,654,755
Water	<u>807,556</u>	<u>864,972</u>
	<u>\$ 4,907,333</u>	<u>\$ 4,729,022</u>
 DCC Activity		
Balance, Beginning of Year	\$ 4,729,022	\$ 4,075,266
Return on Investments	57,552	79,811
DCCs Levied in the Year	584,415	1,033,751
Transfers to General Operating	(226,576)	(226,576)
Transfers to Sewer Capital	(3,850)	-
Transfers to Water Operating	<u>(233,230)</u>	<u>(233,230)</u>
	<u>\$ 4,907,333</u>	<u>\$ 4,729,022</u>

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**3. Development Cost Charges**

In 2010, Council adopted the Development Cost Charge Reduction Bylaw and the companion Economic Incentive Zone Bylaw. The purpose of these bylaws was to spur development in key areas of the city, promote sustainable development and promote the development of affordable rental housing. The bylaws also contain provision to encourage high-end hotel development. These bylaws will reduce the value of development cost charges, building permit fees and municipal taxes received by The City of Penticton for eligible developments.

The DCC reductions and Economic Incentive tax exemption program have been implemented in accordance with the provisions of Section 933(1) of the Local Government Act and Section 226 of the Community Charter, respectively. In 2010, Council approved DCC reductions in the amount of \$199,728. No tax exemptions were granted in 2010.

**4. Pension Liability**

The City and its employees contribute to the Municipal Pension Plan (Plan) a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013.

The actuary does not attribute portions of the unfunded liability to individual employers. The City of Penticton paid \$1,118,027 for employer contributions to the plan in fiscal 2010.

**5. Contingent Liabilities**

- (a) Regional District of Okanagan Similkameen  
Under Section 836 of the *Local Government Act*, all monies borrowed by a Regional District, shall be upon its credit at large and shall, in the event of any default, constitute an indebtedness of the member municipalities for which they are jointly and severally liable. At December 31, 2010, the long term debt of the Regional District aggregated \$119,670,148 (2009 - \$115,297,391).
- (b) Legal Actions  
As at December 31, 2010, certain legal actions are pending against the City, the outcome of which cannot be determined at this time. As it is not possible to determine the outcome of these proceedings, no provision for any potential liability has been recorded in the accounts.



**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**6. Prior Period Adjustment**

It was noted during the year that several tangible capital asset additions in 2009 and 2008 had been incorrectly expensed under the old PSAB rules. In addition to the preceding error, several tangible asset account balances were incorrectly charged amortization due to formula errors in the accounting program used to track the tangible capital assets. The net effect of these errors have been corrected as a \$7,634,850 adjustment to the 2009 ending accumulated surplus. This includes net unrecorded tangible capital assets of \$15,290,716 relating to 2009 which has been restated in the 2009 comparative figures as a reduction of expenditures. As well, there has been an overstatement of assets acquired prior to 2009 of \$7,655,866, which has been adjusted to the 2008 ending accumulated surplus.

**7. Letters of Credit**

In addition to the performance deposits reflected in the Statement of Financial Position, the City is holding irrevocable Letters of Credit in the amount of \$2,798,217 which were received from depositors to ensure their performance of works to be undertaken within the City. These amounts are not reflected in the financial statements but are available to satisfy liabilities arising from non-performance by the depositors.

**8. Net Long Term Debt**

Net long term debt reported on the statement of financial position is comprised of the following:

	<u>2010</u>	<u>2009</u>
Municipal Finance Authority (see Debt Issued and Outstanding Sch.)	\$ <u>80,614,841</u>	\$ <u>78,745,836</u>

Principal repayments relating to net long term debt of \$80,614,841 outstanding are due as follows (in thousands):

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund	\$ 4,722	\$ 4,742	\$ 4,724	\$ 3,204	\$ 3,205
Sewer Fund	575	575	575	575	575
Water Fund	<u>579</u>	<u>579</u>	<u>579</u>	<u>579</u>	<u>579</u>
	<u>\$ 5,876</u>	<u>\$ 5,896</u>	<u>\$ 5,878</u>	<u>\$ 4,358</u>	<u>\$ 4,359</u>

Long term debt is secured by the assets of the City.

**9. Tangible Capital Assets**

Contributed capital assets received and recognized in the year from developers, for various infrastructure works and related land and parks, and recorded on the financial statements is \$0 (2009 - \$0). Interest capitalized in the year is \$127,776 (2009 - \$203,339). Art and historic treasures are held by the City in its museum and arts centre. Due to the subjective nature of the assets they are not included in the values shown on the financial statements.

THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010

9. Tangible Capital Assets - cont'd

	Land	Building	Equipment	Sewer Infrastructure	Water Infrastructure	Electrical Infrastructure	Roads	Construction in Progress	2010 Total	2009 Total (restated)
<b>COST</b>										
Opening Balance	\$ 49,283,194	\$ 124,163,574	\$ 28,981,315	\$ 16,246,143	\$ 39,464,188	\$ 59,947,352	\$ 67,778,760	\$ 20,294,893	\$ 406,159,419	\$ 369,724,955
Add: Additions	101,825	1,731,755	803,266	412,256	1,149,122	841,327	1,570,337	31,516,858	38,126,746	36,808,599
Add: Trsf to/from Construction in Progress	-	10,163,251	-	4,217,199	-	-	-	(14,380,450)	-	-
Less: Disposals	12,877	-	195,520	5,228	72,713	178,975	-	-	465,313	374,135
	<u>49,372,142</u>	<u>136,058,580</u>	<u>29,589,061</u>	<u>20,870,370</u>	<u>40,540,597</u>	<u>60,609,704</u>	<u>69,349,097</u>	<u>37,431,301</u>	<u>443,820,852</u>	<u>406,159,419</u>
<b>ACCUMULATED AMORTIZATION</b>										
Opening Balance	-	34,663,956	15,433,360	3,865,324	13,715,482	19,658,879	30,391,538	-	117,728,539	107,841,377
Add: Amortization	-	4,020,028	1,536,788	278,272	628,111	2,101,000	2,081,013	-	10,645,212	10,188,955
Less: Acc Amortization on Disposals	-	-	111,596	2,440	46,052	148,595	-	-	308,683	301,793
	<u>-</u>	<u>38,683,984</u>	<u>16,858,552</u>	<u>4,141,156</u>	<u>14,297,541</u>	<u>21,611,284</u>	<u>32,472,551</u>	<u>-</u>	<u>128,065,068</u>	<u>117,728,539</u>
<b>Net Book Value for Year Ended Dec 31, 2010</b>	<u>\$ 49,372,142</u>	<u>\$ 97,374,596</u>	<u>\$ 12,730,509</u>	<u>\$ 16,729,214</u>	<u>\$ 26,243,056</u>	<u>\$ 38,998,420</u>	<u>\$ 36,876,546</u>	<u>\$ 37,431,301</u>	<u>\$ 315,755,784</u>	<u>\$ 288,430,880</u>

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**10. Reporting by Object**

	<u>2010</u>	<u>2009</u> <u>(restated)</u>
Salaries and Benefits	\$ 16,733,715	\$ 17,889,743
Goods and Services	39,024,318	27,512,413
Interest	4,427,919	3,903,414
Amortization	10,645,212	10,188,955
Other Expenses	3,865,465	3,814,767
Vehicle and Equipment Maintenance	3,584,662	3,602,308
Policing Agreement	<u>5,688,811</u>	<u>5,277,980</u>
	<u>\$ 83,970,102</u>	<u>\$ 72,189,580</u>

**11. Credit Facilities**

(a) Line of Credit

The City holds a \$5,000,000 line of credit with the Valley First Credit Union. This line of credit has a borrowing rate of prime and is secured by the Revenue Anticipation Borrowing Bylaw 2011 No. 5003. There is currently no balance or amount outstanding.

(b) Bank Indebtedness

The City holds a demand revolving operating loan in the principal amount of \$3,000,000 plus a \$400,000 EFT limit. The loan has a borrowing rate of prime and is secured by a Borrowing Resolution issued in accordance with provincial requirements. At December 31, 2010, the balance outstanding is \$1,511,938.

**12. Budget**

The Financial Plan (Budget) Bylaw adopted by Council on April 19, 2010 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to Nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets (debt) represent the Financial Plan adopted by Council on April 19, 2010 with adjustments as follows:

	<u>2010</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital Expenditures	58,521,681
Debt Principal Repayments	5,607,542
Less:	
Budgeted Transfers from Acc. Surplus and Reserves	2,667,549
Debt Proceeds	<u>23,777,160</u>
Budget Surplus per Statement of Operations	<u>\$ 37,684,514</u>

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**13. Segmented Information**

The City is a diversified municipal government institution that provides a wide range of services to its citizens such as transit, police, fire, water and electricity. 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 Services**

This segment includes all of the revenues and expenses that relate to the operations of the City itself and cannot be directly attributed to a specific segment.

**Protective Services**

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

**Transportation Services**

Transportation is responsible for providing the City's transit services.

**Environmental Health Services**

Environmental services consists of providing waste disposal to citizens.

**Public Health and Safety**

Health services are comprised of public health services which works to improve the overall health of the population and overcome health inequalities by providing services to individuals and communities.

**Environmental Development Services**

This segment includes city planning, maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

**Recreation and Culture**

This segment provides services meant to improve health and development of the City's citizens. Recreational programs and cultural programs like swimming and skating lessons are provided at the arenas, the aquatic centre and the community centre. Also, the City provides library services to assist with its citizens' informational needs and a museum that houses collections and artifacts.

**Electrical Supply**

This segment includes all of the operating activities related to the supply of the City's electricity.

**Sewer System Utility**

This segment includes all of the operating activities related to the collection and treatment of wastewater (sewage) throughout the City.

**Water Utility Services**

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

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

**SCHEDULE OF SEGMENT DISCLOSURE  
YEAR ENDED DECEMBER 31, 2010**

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Public Health and Safety	Environmental Development Services	Recreation and Culture	Electrical Supply	Sewer System Utility	Water Utility Services	2010 Total
<b>REVENUE</b>											
Taxation	\$ 25,600,187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,349,794	\$ -	\$ 26,949,981
Sales of Services	6,161,880	1,368,014	907,299	1,382,156	262,622	82,746	795,687	28,109,960	4,202,656	6,271,703	49,544,723
Govt Grants and Transfers	12,186,177	-	-	-	-	-	-	-	3,530,325	106,534	15,823,036
Other Revenue	11,249,085	-	-	-	-	-	-	-	2,446	-	11,251,531
Other Contributions	137,091	-	-	-	-	-	-	10,272	(23,298)	150,487	274,552
	<u>55,334,420</u>	<u>1,368,014</u>	<u>907,299</u>	<u>1,382,156</u>	<u>262,622</u>	<u>82,746</u>	<u>795,687</u>	<u>28,120,232</u>	<u>9,061,923</u>	<u>6,528,724</u>	<u>103,843,823</u>
<b>EXPENDITURE</b>											
Salaries and Benefits	3,586,519	6,116,924	335,723	43,958	416	725,713	3,058,234	949,355	1,087,882	828,991	16,733,715
Goods and Services	1,964,368	970,191	2,975,391	1,156,218	147,525	897,878	4,602,161	23,275,742	1,246,836	1,788,008	39,024,318
Interest	14,171	126,000	174,271	-	128,750	-	2,489,457	-	768,383	726,887	4,427,919
Amortization	5,556,816	-	2,081,013	-	-	-	-	2,101,000	278,272	628,111	10,645,212
Other Expenses	2,307,648	2,660	-	-	-	417,421	1,009,926	98,361	2,788	26,661	3,865,465
Equipment Charges	156,574	337,553	1,833,521	-	-	8,509	47,907	423,936	233,206	543,456	3,584,662
Policing Agreement	-	5,688,811	-	-	-	-	-	-	-	-	5,688,811
	<u>13,586,096</u>	<u>13,242,139</u>	<u>7,399,919</u>	<u>1,200,176</u>	<u>276,691</u>	<u>2,049,521</u>	<u>11,207,685</u>	<u>26,848,394</u>	<u>3,617,367</u>	<u>4,542,114</u>	<u>83,970,102</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 41,748,324	\$ (11,874,125)	\$ (6,492,620)	\$ 181,980	\$ (14,069)	\$ (1,966,775)	\$ (10,411,998)	\$ 1,271,838	\$ 5,444,556	\$ 1,986,610	\$ 19,873,721

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

**SCHEDULE OF SEGMENT DISCLOSURE  
YEAR ENDED DECEMBER 31, 2009  
(Restated)**

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Public Health and Safety	Environmental Development Services	Recreation and Culture	Electrical Supply	Sewer System Utility	Water Utility Services	2009 Total
<b>REVENUE</b>											
Taxation	\$ 24,769,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,066,583	\$ -	\$ 25,836,251
Sales of Services	5,378,551	1,212,411	1,271,677	1,307,347	372,502	143,644	1,400,629	27,483,858	4,239,794	6,243,002	49,053,415
Govt Grants and Transfers	2,011,873	-	-	-	-	-	-	-	7,181,871	16,529	9,210,273
Other Revenue	9,986,733	-	-	-	-	-	-	-	128,101	53,510	10,168,344
Other Contributions	355,386	-	-	-	-	-	-	548,518	121,805	164,464	1,190,173
	<u>42,502,211</u>	<u>1,212,411</u>	<u>1,271,677</u>	<u>1,307,347</u>	<u>372,502</u>	<u>143,644</u>	<u>1,400,629</u>	<u>28,032,376</u>	<u>12,738,154</u>	<u>6,477,505</u>	<u>95,458,456</u>
<b>EXPENDITURE</b>											
Salaries and Benefits	3,488,690	6,162,054	513,309	41,121	901	682,687	4,185,090	806,467	1,123,271	876,153	17,889,743
Goods and Services	72,916	997,969	1,662,506	1,117,238	150,178	1,052,097	3,114,677	17,800,108	536,927	1,007,797	27,512,413
Interest	3,418	215,400	179,208	-	128,750	-	2,177,318	-	536,173	663,147	3,903,414
Amortization	4,953,426	-	2,383,715	-	-	-	-	2,014,984	216,615	620,215	10,188,955
Other Expenses	2,078,697	147,816	-	-	-	413,541	1,060,249	62,724	-	51,740	3,814,767
Equipment Charges	569,056	327,106	1,713,024	-	-	5,567	67,004	276,253	194,433	449,865	3,602,308
Policing Agreement	-	5,277,980	-	-	-	-	-	-	-	-	5,277,980
	<u>11,176,203</u>	<u>13,128,325</u>	<u>6,451,762</u>	<u>1,158,359</u>	<u>279,829</u>	<u>2,153,892</u>	<u>10,604,338</u>	<u>20,960,536</u>	<u>2,607,419</u>	<u>3,668,917</u>	<u>72,189,580</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>\$ 31,326,008</u>	<u>\$ (11,915,914)</u>	<u>\$ (5,180,085)</u>	<u>\$ 148,988</u>	<u>\$ 92,673</u>	<u>\$ (2,010,248)</u>	<u>\$ (9,203,709)</u>	<u>\$ 7,071,840</u>	<u>\$ 10,130,735</u>	<u>\$ 2,808,588</u>	<u>\$ 23,268,876</u>



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## Auditors' Comments on Supplementary Financial Information

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To the Mayor and Council  
Corporation of the City of Penticton

The audited financial statements of the Corporation of the City of Penticton as at December 31, 2010 and our report thereon dated May 3, 2011 are presented in the preceding section of the annual report. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, they are fairly presented in all material respects in relation to the financial statements taken as a whole. We do not express a separate audit opinion on the individual schedules of supplemental financial information.

*BDO CANADA LLP*

Chartered Accountants

Penticton, British Columbia  
May 3, 2011

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

**GENERAL REVENUE FUND  
STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

	<b>2010 <u>Budget</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>REVENUE</b>			
Taxation	\$ 25,581,294	\$ 25,600,187	\$ 24,769,668
Sales of Services	10,830,719	10,960,404	11,086,764
Government Grants and Transfers	1,608,979	1,526,457	1,689,881
Transfer from Other Funds	7,309,219	7,356,805	7,819,858
Other Revenue from Own Sources	10,130,017	11,249,085	10,164,533
Collections for Other Governments	<u>19,972,729</u>	<u>20,263,503</u>	<u>19,814,495</u>
	<u>75,432,957</u>	<u>76,956,441</u>	<u>75,345,199</u>
<b>EXPENDITURE</b>			
Salaries and Benefits	14,414,619	13,867,487	15,083,851
Goods and Services	12,825,162	11,509,940	12,602,153
Interest	20,000	13,355	10,747
Debenture Interest	2,948,219	2,919,292	2,693,348
Debt Principal	4,453,100	4,453,101	4,406,855
Other Expenses	3,407,278	3,631,483	3,262,017
Vehicle and Equipment Maintenance	2,793,285	2,573,605	2,573,635
Policing Agreement	5,915,767	5,688,811	5,277,980
Transfer to Other Funds	8,682,798	10,277,255	10,117,718
Transfer to Other Governments and Boards	<u>19,972,729</u>	<u>20,261,846</u>	<u>19,815,489</u>
	<u>75,432,957</u>	<u>75,196,175</u>	<u>75,843,793</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE \$	<u>-</u>	<u>1,760,266</u>	<u>(498,594)</u>
<b>CHANGE IN FUND BALANCES</b>		1,760,266	(498,594)
<b>FUND BALANCES, BEGINNING OF YEAR</b>		1,187,872	1,686,466
<b>FUND BALANCES, END OF YEAR</b>		<u>\$ 2,948,138</u>	<u>\$ 1,187,872</u>

See accompanying notes to financial statements.



**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

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**RESERVE FUNDS  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010  
(UNAUDITED)**

	<u>2010</u>	<u>2009</u>
Balance, Beginning of Year	\$ 10,505,536	\$ 10,371,718
Add		
Transfers from:		
Revenue Funds	2,108,874	2,257,137
Interest Earned	132,569	169,421
Deduct		
Transfers to:		
Capital Funds	<u>634,015</u>	<u>2,292,740</u>
Balance, End of Year	<u>\$ 12,112,964</u>	<u>\$ 10,505,536</u>

**STATUTORY RESERVE FUND BALANCES**

Equipment Replacement Reserve Fund	\$ 3,001,065	\$ 2,904,685
Tax Sale Lands Reserve Fund	6,775	6,690
Development Cost Charges Reserve Fund	4,907,333	4,729,022
Capital Reserve Fund	1,025,525	617,072
Local Improvement	1,415,911	1,341,233
Water Capital Reserve Fund	1,515,771	1,496,467
Sewer Capital Reserve Fund	486,758	480,559
Electric Capital Reserve Fund	909,872	898,284
Off-Site Parking Reserve Fund	83,829	82,749
Community Works Reserve Fund	3,362,697	2,417,860
Amenity Density Reserve	<u>304,761</u>	<u>259,937</u>
	<u>17,020,297</u>	<u>15,234,558</u>
Less:		
Development Cost Charges Reserve Fund	<u>4,907,333</u>	<u>4,729,022</u>
	<u>\$ 12,112,964</u>	<u>\$ 10,505,536</u>

See accompanying notes to financial statements.

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

**RESERVE FUNDS  
STATEMENT OF CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

	Equipment Replacement	Tax Sale Lands	Capital	Development				Sewer Capital	Water Capital	Electric Capital	Off-Street Parking	Amenity Density	Community Works	2010 Total	2009 Total
				Cost	Charges	Local Improvement	Capital								
<b>BALANCE, BEGINNING OF YEAR</b>	2,904,685	6,690	617,072	4,729,022	1,341,233	480,559	1,496,467	898,284	82,749	259,937	2,417,860	\$15,234,558	\$14,446,984		
<b>ADD</b>															
Transfers from:															
General Revenue Fund	404,250	-	527,141	77,578	228,640	-	-	-	-	270,330	907,638	2,415,577	2,638,798		
General Capital Fund	-	-	-	-	-	-	-	-	-	-	-	-	-		
Sewer Revenue Fund	-	-	-	341,676	-	-	-	-	-	-	-	341,676	494,913		
Sewer Capital Fund	-	-	-	-	-	-	-	-	-	-	-	-	-		
Water Capital Fund	-	-	-	-	-	-	-	-	-	-	-	-	-		
Water Revenue Fund	-	-	-	165,161	-	-	-	-	-	-	-	165,161	157,177		
Interest Earned	37,809	85	10,527	57,552	5,159	6,199	19,304	11,588	1,080	3,619	37,199	190,121	249,232		
	3,346,744	6,775	1,154,740	5,370,989	1,575,032	486,758	1,515,771	909,872	83,829	533,886	3,362,697	18,347,093	17,987,104		
<b>DEDUCT</b>															
Transfers to:															
General Capital Fund	345,679	-	129,215	-	107,601	-	-	-	-	-	-	582,495	1,139,532		
General Capital Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-		
Sewer Capital Fund	-	-	-	3,850	51,520	-	-	-	-	-	-	55,370	51,941		
Water Capital Fund	-	-	-	-	-	-	-	-	-	-	-	-	1,101,267		
Water Revenue Fund	-	-	-	233,230	-	-	-	-	-	-	-	233,230	233,230		
Sewer Revenue Fund	-	-	-	-	-	-	-	-	-	-	-	-	-		
General Revenue Fund	-	-	-	226,576	-	-	-	-	-	229,125	-	455,701	226,576		
	345,679	-	129,215	463,656	159,121	-	-	-	-	229,125	-	1,326,796	2,752,546		
<b>BALANCE, END OF YEAR</b>	3,001,065	6,775	1,025,525	4,907,333	1,415,911	486,758	1,515,771	909,872	83,829	304,761	3,362,697	\$17,020,297	\$15,234,558		

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

**SEWER REVENUE FUND  
STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

	<b>2010 Budget</b>	<b>2010</b>	<b>2009</b>
<b>REVENUE</b>			
Taxation	\$ 1,351,887	\$ 1,349,794	\$ 1,066,583
Sales of Services	3,979,684	4,202,656	4,239,794
Government Grants and Transfers	-	112,945	-
Other Revenue	-	2,446	3,811
	<u>5,331,571</u>	<u>5,667,841</u>	<u>5,310,188</u>
<b>EXPENDITURE</b>			
Salaries and Benefits	1,206,520	1,087,882	1,123,271
Goods and Services	1,115,028	1,083,835	971,068
Interest	773,830	768,383	536,173
Debt Principal	575,057	575,057	333,900
Vehicle and Equipment Maintenance	185,500	233,206	194,433
Transfer to Other Funds	1,475,636	898,940	1,068,053
	<u>5,331,571</u>	<u>4,647,303</u>	<u>4,226,898</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<u>\$ -</u>	<u>1,020,538</u>	<u>1,083,290</u>
<b>CHANGE IN FUND BALANCES</b>		1,020,538	1,083,290
<b>FUND BALANCES, BEGINNING OF YEAR</b>		4,812,476	3,729,186
<b>FUND BALANCES, END OF YEAR</b>		<u>\$ 5,833,014</u>	<u>\$ 4,812,476</u>

See accompanying notes to financial statements.

**WATER REVENUE FUND  
STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

	<b>2010 <u>Budget</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>REVENUE</b>			
Sales of Services	\$ 5,902,860	\$ 6,271,702	\$ 6,243,002
Government Grants and Transfers	-	29,792	11,264
Transfers from Other Funds	<u>233,230</u>	<u>233,230</u>	<u>233,230</u>
	<u>6,136,090</u>	<u>6,534,724</u>	<u>6,487,496</u>
<b>EXPENDITURE</b>			
Salaries and Benefits	870,401	828,991	876,153
Goods and Services	1,777,228	1,598,085	1,624,763
Interest	789,450	726,887	663,147
Debt Principal	579,385	579,384	448,415
Vehicle and Equipment Maintenance	426,500	543,456	449,865
Transfer to Other Funds	<u>1,693,126</u>	<u>3,449,066</u>	<u>2,674,747</u>
	<u>6,136,090</u>	<u>7,725,869</u>	<u>6,737,090</u>
<b>EXCESS OF EXPENDITURE OVER REVENUE</b>	<u>\$ -</u>	<u>(1,191,145)</u>	<u>(249,594)</u>
<b>CHANGE IN FUND BALANCES</b>		(1,191,145)	(249,594)
<b>FUND BALANCES, BEGINNING OF YEAR</b>		2,871,744	3,121,338
<b>FUND BALANCES, END OF YEAR</b>		<u>\$ 1,680,599</u>	<u>\$ 2,871,744</u>

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

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**ELECTRIC REVENUE FUND  
STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

	<b><u>2010 Budget</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>REVENUE</b>			
Sales of Services	\$ 28,736,137	\$ 28,109,960	\$ 27,483,858
Transfers from Own Reserves	<u>-</u>	<u>-</u>	<u>30,340</u>
	<u>28,736,137</u>	<u>28,109,960</u>	<u>27,514,198</u>
<b>EXPENDITURE</b>			
Salaries and Benefits	891,538	949,355	806,467
Goods and Services	22,475,351	22,071,470	21,473,257
Vehicle and Equipment Maintenance	240,894	423,936	276,253
Transfer to Other Funds	<u>5,128,354</u>	<u>4,331,101</u>	<u>2,501,592</u>
	<u>28,736,137</u>	<u>27,775,862</u>	<u>25,057,569</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<u>\$ -</u>	<u>334,098</u>	<u>2,456,629</u>
 <b>CHANGE IN FUND BALANCES</b>		334,098	2,456,629
<b>FUND BALANCES, BEGINNING OF YEAR</b>		6,924,667	4,468,038
<b>FUND BALANCES, END OF YEAR</b>		<u>\$ 7,258,765</u>	<u>\$ 6,924,667</u>

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA

DEBT ISSUED AND OUTSTANDING  
DECEMBER 31, 2010

L/A Bylaw	S/I Bylaw	Issue	Issue Date	Purpose	Issue Amount	Outstanding Amount	Term (Years)	Maturity	Rate	Payee	Interest	Principal
92110	9504	60	12-Apr-95	Water Treatment Plant	1,000,000	347,408	20	2015	4.75	R.D.O.S.	47,500	30,242
92110	9542	61	01-Dec-95	Water Treatment Plant	3,000,000	1,042,225	20	2015	4	R.D.O.S.	90,000	90,728
92110	96-08	63	01-Jun-96	Water Treatment Plant	1,200,000	488,744	20	2016	3	R.D.O.S.	42,000	36,291
2006-07	7/17/2006	99	7-Nov-06	Naramata Rd. Upgrade	4,670,000	4,004,041	20	2026	4.43	R.D.O.S.	206,881	156,827
2007-86	333/2008	104	20-Nov-08	Water Filtration Plant	4,000,000	3,725,973	20	2028	5.15	R.D.O.S.	206,000	134,327
2007-83	638/2009	106	13-Oct-09	Water Filtration Plant	3,900,000	3,769,031	20	2029	4.13	R.D.O.S.	161,070	130,969
					<u>17,770,000</u>	<u>13,377,422</u>					<u>753,451</u>	<u>579,384</u>
2006-61	273/2007	102	02-Nov-07	Sewer - Septage Handling Facility	1,050,000	939,930	20	2027	4.82	R.D.O.S.	50,610	35,261
2008-10	333-2008	104	02-Nov-07	Sewer System Upgrade	8,000,000	7,451,946	20	2028	5.15	R.D.O.S.	412,000	288,654
2007-60	333/2008	104	20-Nov-08	PIDA	360,000	298,831	10	2018	5.15	R.D.O.S.	18,540	29,985
2007-60	157/2009	105	21-Apr-09	PIDA	73,056	66,971	10	2018	4.9	R.D.O.S.	3,580	6,085
2008-10	638/2009	106	13-Oct-09	Sewer Plant Expansion	7,000,000	6,764,928	20	2029	4.13	R.D.O.S.	289,100	235,072
					<u>16,483,056</u>	<u>15,522,606</u>					<u>773,830</u>	<u>575,057</u>
9925	20005	72	12-Apr-00	RCMP Building	2,500,000	1,545,931	20	2020	6.45	R.D.O.S.	78,750	82,873
9925	20046	73	07-Nov-00	RCMP Building	1,500,000	927,559	20	2020	6.36	R.D.O.S.	47,250	49,724
2003-15	2268	81	22-Apr-04	Storm Sewer	337,500	268,073	20	2024	4.86	R.D.O.S.	16,402	10,207
2004-16	859/2004	85	25-Oct-04	Parks - Land Acquisition	1,680,000	1,334,411	20	2024	4.975	R.D.O.S.	83,580	50,808
2004-18	859/2004	85	25-Oct-04	Road Works - South Main St	195,000	154,887	20	2024	4.975	R.D.O.S.	9,701	5,897
2004-19	859/2004	85	25-Oct-04	Road Design - Main St	150,000	119,143	20	2024	4.975	R.D.O.S.	7,462	4,536
2004-20	859/2004	85	25-Oct-04	Parks - Integrated Waterfront	550,000	436,861	20	2024	4.975	R.D.O.S.	27,362	16,633
2004-21	859/2004	85	25-Oct-04	Parks - Youth Park	50,000	39,715	20	2024	4.975	R.D.O.S.	2,488	1,512
2004-11	1108/2004	93	06-Apr-05	Wine Information Centre	800,000	636,047	20	2025	5.1	R.D.O.S.	31,537	35,341
2004-20	1108-2004	93	06-Apr-05	Parks - Integrated Waterfront	520,000	413,431	20	2025	5.1	R.D.O.S.	20,499	22,972
2004-21	614/2005	95	13-Oct-05	Parks - Youth Park	150,000	122,717	20	2025	4.17	R.D.O.S.	6,255	5,037
2004-18	615/2005	95	13-Oct-05	Parks - Integrated Waterfront	825,000	674,941	20	2025	4.17	R.D.O.S.	34,403	27,705
2006-15	7/17/2006	99	7-Nov-06	Road Works - Fairview & Ind	1,595,000	1,367,547	20	2026	4.43	R.D.O.S.	70,659	53,563
2006-17	7/17/2006	99	7-Nov-06	Parks - Sportsfields	3,200,000	2,743,668	20	2026	4.43	R.D.O.S.	141,760	107,462
2006-18	273/2007	102	27-Mar-07	Queens Park Site Servicing	7,000,000	5,179,993	10	2027	4.82	R.D.O.S.	337,400	583,037
2006-33	273/2007	102	02-Nov-07	Integrated Waterfront 2006	350,000	313,310	20	2027	4.82	R.D.O.S.	16,870	11,754
2006-39	273/2007	102	02-Nov-07	South Okanagan Event Centre	8,000,000	5,919,992	10	2017	4.82	R.D.O.S.	385,600	666,328
2006-76	024/2008	103	23-Apr-08	Wellness Centre	3,000,000	2,794,480	20	2028	4.65	R.D.O.S.	139,500	100,745
2006-39	333/2008	104	20-Nov-08	South Okanagan Event Centre	10,000,000	8,300,865	10	2018	5.15	R.D.O.S.	515,000	832,909
2006-39	333/2008	104	20-Nov-08	South Okanagan Event Centre	8,000,000	4,986,886	5	2013	4.35	R.D.O.S.	348,000	1,477,017
2007-41	333/2008	104	20-Nov-08	Cemetery - Columbarium	2,500,000	2,328,733	20	2028	5.15	R.D.O.S.	128,750	83,954
2007-52	333/2008	104	20-Nov-08	Indoor Soccer Facility	1,000,000	931,493	20	2028	5.15	R.D.O.S.	51,500	33,582
2007-57	333/2008	104	20-Nov-08	Integrated Waterfront	530,000	493,691	20	2028	5.15	R.D.O.S.	27,295	17,798
2007-60	333/2008	104	20-Nov-08	PIDA	1,140,000	946,299	10	2018	5.15	R.D.O.S.	58,710	94,952
2008-39			30-Sep-08	Short Term Borrowing - Elm Avenue	225,000	135,000	5	2013	4.015	MFA	5,400	45,000
2007-60	157/2009	105	21-Apr-09	PIDA	231,344	212,075	10	2018	4.9	R.D.O.S.	11,336	19,269
2007-52	638/2009	106	13-Oct-09	Indoor Soccer Facility	415,000	401,064	20	2029	4.13	R.D.O.S.	17,140	13,936
2007-52	3/15/2010	110	08-Apr-10	Indoor Soccer Facility Phase 2	586,000	586,000	20	2030	4.5	R.D.O.S.	26,370	19,679
2007-52	3/15/2010	110	08-Apr-10	Pool Upgrades	7,400,000	7,400,000	20	2030	4.5	R.D.O.S.	333,000	248,505
					<u>64,429,844</u>	<u>51,714,812</u>					<u>2,979,979</u>	<u>4,722,735</u>
					<u>\$ 98,682,900</u>	<u>\$ 80,614,839</u>					<u>\$ 4,507,259</u>	<u>\$ 5,877,175</u>

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

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**CEMETERY PERPETUAL CARE TRUST FUND  
STATEMENT OF FINANCIAL POSITION  
YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Bank Term Deposits	\$ 851,433	\$ 714,262
Receivables		
Due From General Revenue Fund	22,044	121,753
Accrued Interest	<u>1,134</u>	<u>3,394</u>
	<u>\$ 874,611</u>	<u>\$ 839,409</u>
<b>SURPLUS</b>		
Balance, Beginning of the Year	839,409	789,217
Add:		
Care Fund Contributions	25,292	38,725
Interest Earned	<u>9,910</u>	<u>11,467</u>
	<u>\$ 874,611</u>	<u>\$ 839,409</u>

**THE CORPORATION OF THE CITY OF PENTICTON BRITISH COLUMBIA**

**PENTICTON PUBLIC LIBRARY  
STATEMENT OF REVENUE AND EXPENDITURE  
YEAR ENDED DECEMBER 31, 2010  
(UNAUDITED)**

	<u>2010</u>	<u>2009</u>
<b>REVENUE</b>		
Grant City of Penticton		
Operating	\$ 734,766	\$ 725,496
Building and Administration	188,800	188,800
Equipment Depreciation	11,153	17,383
Capital	-	3,040
Grant - Province of B.C. Operating	109,884	109,369
Grant - Outlook/ Legal Services Society	2,134	5,186
Grant - Tech/ Equity	22,387	14,890
Okanagan Regional Library Contract	66,110	58,410
Interest Earned	890	1,288
Fines and Fees	27,318	29,535
Miscellaneous Revenue	14,945	17,243
Photocopy Revenue	2,928	3,299
Donations	788	1,092
Legacy/Estate Funds	3,306	-
Equipment Replacement Fund	27,684	11,906
	<u>1,213,093</u>	<u>1,186,937</u>
 SURPLUS AT THE BEGINNING OF THE YEAR	 63,623	 78,998
 <b>EXPENDITURE</b>		
Building and Administration	188,800	188,800
Equipment Allowance	11,153	17,383
Equipment Maintenance	18,956	21,105
Acquisitions		
- Books	160,822	155,995
- Periodicals	17,176	19,088
- Software	-	-
- Videos/ Audio/ Online Subscriptions	10,064	5,557
Book Binding	1,745	1,714
Office Supplies	29,067	30,143
Postage, Freight, Courier, Mileage	4,635	4,755
Salaries and Benefits	748,896	742,092
Staff/ Trustee Training and Development	2,574	1,663
Telephone/ Fax/ Internet	2,015	1,959
Program Support	127	152
Capital Equipment	27,684	11,906
	<u>1,223,714</u>	<u>1,202,312</u>
 SURPLUS AT THE END OF THE YEAR	 <u>\$ 53,002</u>	 <u>\$ 63,623</u>