



Consolidated Financial Statements

Town of View Royal

Year ended December 31, 2017

45 View Royal Avenue
Victoria, BC Canada
V9B 1A6
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Town of View Royal

Consolidated Financial Statements
Year ended December 31, 2017

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Town of View Royal

Consolidated Financial Statements
Year ended December 31, 2017

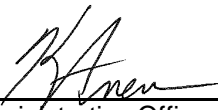
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

View Royal's Mayor and Council are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility by meeting with management and the external auditors to review the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their acceptance of the consolidated financial statements.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Town of View Royal's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Mayor and Council.



Chief Administrative Officer



Director of Finance

May 1, 2018

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of
THE TOWN OF VIEW ROYAL

Report on Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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



Victoria, BC
May 8, 2018

Chartered Professional Accountants

Town of View Royal

Consolidated Statement of Financial Position
as at December 31, 2017

	2017	2016
Financial assets		
Cash and cash equivalents (Note 3)	\$ 19,643,095	\$ 15,675,883
Property taxes receivable	125,807	139,599
Accounts receivable (Note 5)	1,680,126	1,564,941
Inventory held for sale	6,469	9,328
Assets held for sale (Note 4)	-	327,940
	21,455,497	17,717,691
Liabilities		
Accounts payable and accrued liabilities (Note 6)	3,312,764	3,326,108
Deposits	1,354,621	1,145,450
Deferred revenue (Note 8)	6,832,714	5,030,249
Prepaid property taxes	432,065	438,236
Long-term debt (Note 9)	6,549,564	6,897,532
Employee benefits and retirement obligations (Note 10)	206,789	190,109
	18,688,517	17,027,684
Net financial assets	2,766,980	690,007
Non-financial assets		
Tangible capital assets (Note 11) (Schedule 3)	130,736,441	127,848,055
Inventory of supplies	9,209	-
Prepaid expenses	86,860	109,245
	130,832,510	127,957,300
Commitments and contingencies (Note 16)		
Accumulated surplus (Note 12)	\$ 133,599,490	\$ 128,647,307



Dawn Christenson, BAccS, CPA, CGA
Officer responsible for financial administration
Pursuant to Section 149 of the Community Charter (SBC 2003)

Town of View Royal

Consolidated Statement of Operations

Year ended December 31, 2017

	Financial plan (Note18)	2017	2016
Revenue			
Taxes for municipal purposes (Note 13)	\$ 8,308,904	\$ 8,255,984	\$ 7,473,433
User charges	3,059,667	3,923,595	3,015,988
Investment income	117,000	86,097	138,480
Actuarial adjustments on debt	-	48,658	35,026
Penalties and fines	51,000	43,628	54,351
Development charges earned	192,000	163,281	122,493
Contributions from developers and others	50,000	4,743,500	6,462,342
Other revenue from own sources	206,549	134,078	143,850
Government grants and transfers (Note 15)	1,882,170	2,809,760	3,456,319
	13,867,290	20,208,581	20,902,282
Expense			
General government services	4,640,363	2,106,939	2,052,668
Protective services	3,719,868	4,220,970	3,856,711
Transportation services	2,739,144	4,663,722	4,276,453
Environmental health services	1,164,747	963,223	846,821
Development services	713,050	428,988	398,861
Recreation and cultural services	2,766,504	2,872,556	2,789,282
	15,743,676	15,256,398	14,220,796
Annual surplus (deficit)	(1,876,386)	4,952,183	6,681,486
Accumulated surplus, beginning	128,647,307	128,647,307	121,965,821
Accumulated surplus, ending	\$ 126,770,921	\$ 133,599,490	\$ 128,647,307

Town of View Royal

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2017

	Financial plan (Note 18)	2017	2016
Annual surplus (deficit)	\$ (1,876,386)	\$ 4,952,183	\$ 6,681,486
Acquisition of tangible capital assets	-	(1,311,237)	(1,952,888)
Contributed tangible capital assets	-	(4,594,255)	(6,967,376)
Amortization of tangible capital assets	-	2,973,716	2,891,625
Loss on disposal of tangible capital assets	-	43,390	6,464
Change in proportionate share of West Shore Parks and Recreation Society	-	-	(8,090)
Change in inventory of supplies	-	(9,209)	-
Change in prepaid expenses	-	22,385	143,308
Increase (decrease) in net financial assets	(1,876,386)	2,076,973	794,529
Net financial assets, beginning	690,007	690,007	(104,522)
Net financial assets, ending	\$ (1,186,379)	\$ 2,766,980	\$ 690,007

Town of View Royal

Consolidated Statement of Cash Flows

Year ended December 31, 2017

	2017	2016
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 4,952,183	\$ 6,681,486
Items not affecting operating activities		
Contributed tangible capital assets	(4,594,255)	(6,967,376)
Amortization of tangible capital assets	2,973,716	2,891,625
Loss on disposal and write-down of tangible capital assets	43,390	6,465
Change in inventory of supplies	(9,209)	-
Change in prepaid expenses	22,385	143,308
Actuarial adjustment on debt	(41,498)	(35,026)
Change in proportionate share of West Shore Parks and Recreation Society	-	(8,090)
Decrease (increase) in non-cash financial assets		
Property taxes receivable	13,792	8,202
Accounts receivable	(115,185)	15,749
Inventory held for sale	2,859	(3,216)
Assets held for resale	327,940	(55,625)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(13,344)	(130,578)
Deposits	209,171	(805,770)
Deferred revenue	1,802,465	(63,381)
Prepaid property taxes	(6,171)	56,151
Employee benefits and retirement obligations	16,680	7,830
	5,584,919	1,741,754
Capital activities		
Acquisition of tangible capital assets	(1,311,237)	(1,952,891)
	(1,311,237)	(1,952,891)
Financing activities		
Debt principal repaid	(306,470)	(299,559)
Increase (decrease) in cash and cash equivalents	3,967,212	(510,696)
Cash and temporary investments, beginning	15,675,883	16,186,579
Cash and cash equivalents, ending	\$ 19,643,095	\$ 15,675,883

Town of View Royal

Notes to Consolidated Financial Statements

Year ended December 31, 2017

The Town of View Royal (the "Town") was incorporated on December 5, 1988 by letters patent issued by the Province of British Columbia. Its principal activities are the provision and coordination of local government services to residents of the incorporated area. These services include general government administration, bylaw enforcement, planning and development services, building inspection, fire protection and emergency response planning, public transportation, parks and recreation, solid waste collection and disposal, sewer collection and disposal, and street lighting.

1. Significant accounting policies

a) Principles of consolidation

The Town follows Canadian public sector accounting standards. The consolidated financial statements of the Town are prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB).

b) Reporting entity

The consolidated financial statements reflect the combined assets, liabilities, accumulated surplus, revenue and expense of all of the Town's activities and funds. The consolidated financial statements also include the Town's proportionate share of the West Shore Parks and Recreation Society (West Shore). Interfund transactions and fund balances have been eliminated on consolidation.

c) Basis of accounting

The Town follows the accrual method of accounting for revenue and expense. Revenue is normally recognized in the year in which it is earned and measurable. Expense is recognized as it is incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay. Expense paid in the current period and attributable to a future period is recorded as prepaid expense.

d) 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.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

1. Significant accounting policies (continued)

e) 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.

f) 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.

g) Investment income

Investment income is reported as revenue in the period earned. When required by the funding entity or related legislation, investment income earned on deferred revenue is added to the deferred revenue balance.

h) Cash equivalents

Cash equivalents are comprised primarily of Municipal Finance Authority (MFA) pooled investments including money market, intermediate and bond funds. Town funds invested with MFA are pooled with other local governments and managed independently by Phillips, Hager & North Ltd. The investments are carried at market value which approximates cost.

i) Deposits

Receipts restricted by third parties are deferred and reported as deposits and are refundable under certain circumstances. Deposits that are prepayments are recognized as revenue when qualifying expenditures are incurred.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

1. Significant accounting policies (continued)

j) Employee benefits and retirement obligations

The Town and its employees make contributions to the Municipal Pension Plan. The Town's contributions are expensed as incurred and are included within the Statement of Operations.

Sick leave and other retirement benefits are also available to the Town's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

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.

i) Tangible capital assets

Tangible capital assets are recorded at cost, net of disposals, write-downs and amortization. The cost of tangible capital assets includes all 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, is amortized on a straight line basis over the estimated useful life as follows:

Asset	Useful life in years
Land	Indefinite
Land improvements	10 - 25
Buildings	20 - 70
Vehicles, machinery and equipment	3 - 20
Engineering structures	10 - 100

Amortization is calculated monthly, including in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Town's ability to provide goods and services, or when the value of future economic benefits associated with the asset is less than the book value of the asset.

Town of View Royal

Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued)

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, with the value of the contribution recorded as revenue.

iii) Works of art and cultural and historical treasures

The Town manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized due to the subjectivity of their value.

iv) Interest capitalization

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

v) Leased tangible capital assets

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

vi) Inventory of supplies

Inventory is recorded at the lower of cost and replacement cost.

l) 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 revenue and expense during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, performing calculations of employee future benefits, sick benefits liability, collectability of accounts receivable, amortization of capital assets, determination of liability for contaminated sites, deferred charges and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

2. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities, deposits, and long-term debt. The carrying amount of these financial instruments approximates their fair value because they are short-term in nature or because they bear interest at market rates.

Unless otherwise noted, it is management's opinion that the Town is not exposed to significant interest or credit risks arising from these financial instruments.

3. Cash and cash equivalents

	2017	2016
Bank deposits	\$ 8,474,605	\$ 4,552,003
Municipal Finance Authority - Money Market	919,229	910,363
Municipal Finance Authority - Intermediate	1,936,612	1,921,541
Municipal Finance Authority - Short-Term Bond	8,312,649	8,291,976
	<u>\$ 19,643,095</u>	<u>\$ 15,675,883</u>

Temporary investments consist of short-term investments in the MFA money market, intermediate, and short-term bond funds. The market value is equal to the carrying value. Temporary investments have yields ranging from 0.38% to .98%.

Included in cash and temporary investments are the following restricted amounts:

	2017	2016
Restricted cash - MFA	\$ 89,849	\$ 88,131
Restricted cash - West Shore reserve funds	305,083	287,828
Restricted investments - reserve funds	4,231,420	3,346,143
Restricted investments - development cost charges	6,109,504	4,516,979
	<u>\$ 10,735,856</u>	<u>\$ 8,239,081</u>

The Town has an operating line of credit with the Toronto Dominion Bank for an authorized amount of \$1,000,000, bearing interest at bank prime rate less 0.50% per annum. At December 31, 2017 the balance outstanding was \$nil (2016 - \$nil).

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

4. Assets held for sale

Total assets held for sale at the end of the year were \$nil (2016 - \$327,940). The asset held for sale in 2016 was a parcel of land that was sold in 2017.

5. Receivables

	2017	2016
Government of Canada	\$ 254,440	\$ 247,075
Province of British Columbia	-	4,658
Regional and local governments	5,373	2,771
Other trade receivables	1,420,313	1,310,437
	<u>\$ 1,680,126</u>	<u>\$ 1,564,941</u>

6. Accounts payable and accrued liabilities

	2017	2016
Government of Canada	\$ 2,800	\$ 947
Province of British Columbia	781	1
Regional and local governments	555,534	19,929
Payroll liabilities	144,272	53,983
Other trade payables	2,609,377	3,251,248
	<u>\$ 3,312,764</u>	<u>\$ 3,326,108</u>

7. Community Works Fund

Community Works Fund is a component of the Gas Tax Agreement funding provided by the Government of Canada and administered through the Union of British Columbia Municipalities (UBCM). Community Works Funds transfers are recorded as revenue when received, then held as reserves until spent on eligible expenditures.

	2017	2016
Community Works Fund, beginning balance	\$ 404,458	\$ 608,989
Amounts received during the year	497,482	448,234
Interest earned	2,780	7,803
Amounts allocated to projects during the year	(542,408)	(660,568)
	<u>\$ 362,312</u>	<u>\$ 404,458</u>

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

8. Deferred revenue

Deferred revenue, reported on the statement of financial position, includes the following:

	2017	2016
Development cost charges:		
Deferred development costs charges, beginning of year	\$ 4,516,979	\$ 4,486,734
Amounts received during the year	1,717,275	95,201
Interest earned	38,531	57,537
Eligible expenses	(163,281)	(122,493)
Deferred development cost charges, end of year	6,109,504	4,516,979
Deferred revenue - other	723,210	513,270
Total deferred revenue	\$ 6,832,714	\$ 5,030,249

9. Long-term debt

a) Debt outstanding

MFA Issue #	Matures	Rate	Original Amount	Net Balance	
				2017	2016
117	Oct. 12, 2026	3.25%	\$ 2,445,000	\$ 1,635,074	\$ 1,783,634
127	Apr. 7, 2034	3.30%	5,490,000	4,914,490	5,113,898
			\$ 7,935,000	\$ 6,549,564	\$ 6,897,532

b) Debenture debt

The loan agreements with the Capital Regional District and the MFA provide that if, at any time, the scheduled payments provided for in the agreements are not sufficient to meet the MFA's obligations in respect of such borrowings, the resulting deficiency becomes a liability of the Town.

The Town issues its debt instruments through the MFA. Debt is issued on a sinking fund basis, where the MFA invests the Town's sinking fund principal payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. Actuarial adjustments on debt represent the repayment and/or forgiveness of debt by the MFA using surplus investment income generated by the principal repayments.

Principal payments on long term debt for the next five years are as follows:

	Total
2018	\$ 306,470
2019	306,470
2020	306,470
2021	306,470
2022	306,470
Thereafter including earnings on sinking fund payments	5,017,214
Total	\$ 6,549,564

c) Interest expense

Total interest expense during the year was \$260,633 (2016 - \$260,633).

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

10. Employee benefit and retirement obligations

Employee benefit obligations represent accrued benefits as follows:

	2017	2016
Vacation payable	\$ 45,296	\$ 36,763
Accrued overtime	20,441	14,996
Sick leave entitlements	90,600	81,900
West Shore employee future benefit obligations	50,452	56,450
	\$ 206,789	\$ 190,109

Accrued vacation is the amount of unused vacation entitlement carried forward into the next year. Accrued sick leave is the estimated liability for sick leave for all employees. Sick leave entitlements can only be used while employed by the Town and are not paid out upon retirement or termination of employment. The accrued sick leave cost was estimated by an actuarial valuation completed effective for December 31, 2017.

Information about liabilities for accrued sick leave is as follows:

	2017	2016
Accrued benefit obligation, beginning of year	\$ 81,900	\$ 73,100
Current service cost	7,800	7,800
Interest cost	2,800	2,300
Benefits paid	(1,200)	(800)
Amortization of actuarial (gain)	(700)	(500)
Accrued benefit liability, end of year	\$ 90,600	\$ 81,900
	2017	2016
Accrued benefit liability, end of year	\$ 90,600	\$ 81,900
Unamortized gain	(1,800)	(9,200)
Accrued benefit obligation, end of year	\$ 88,800	\$ 72,700

The accrued benefit liability is included as part of employee benefit obligations on the Statement of Financial Position. The actuarial gain is amortized over a period equal to the employees' average remaining service lifetime of 13 years.

The significant actuarial assumptions adopted in measuring the Town's accrued benefit obligations are as follows:

	2017	2016
Discount rates	2.90%	3.50%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increase	2.58% - 4.50%	2.58% - 4.50%

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

10. Employee benefit and retirement obligations (continued)

Municipal Pension Plan

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 assets and administration of benefits. The Plan is a multi employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2015 the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local government and 31 contributors from the Town.

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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation of the Municipal Pension Plan as of December 31, 2015, indicated a \$2.224 million funding surplus for basic pension benefits on a going concern basis.

The Town paid \$247,506 (2016 - \$240,117) for employer contributions while Town employees contributed \$198,355 (2016 - \$207,513) to the plan in fiscal 2017.

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

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

11. Tangible capital assets

a) Assets under construction and completed assets not yet in service

Assets under construction totaling \$555,540 (2016 - \$491,820) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed capital assets received during the year is \$4,594,255 (2016 - \$6,967,376).

c) Gain or loss on disposal of tangible capital assets

During the year, the Town recognized a \$43,390 loss on disposal of tangible capital assets. (2016 - \$6,464 loss). This amount is included as an expense on the Statement of Operations.

d) Write down of tangible capital assets

The write down of tangible capital assets during the year was \$nil (2016 - \$nil).

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

12. Accumulated surplus

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2017	2016
Surplus:		
Equity in tangible capital assets	\$ 124,210,880	\$ 120,967,366
Appropriated surplus - casino revenue	1,346,593	941,014
Appropriated surplus - Community Works Fund	362,312	404,458
Appropriated surplus - other	369,532	352,862
Unrestricted accumulated surplus	2,773,669	2,347,636
	<u>129,062,986</u>	<u>125,013,336</u>
Reserve funds set aside for specific purposes by Council:		
Capital Renewal	193,206	-
Capital Works and Land Acquisition	603,672	295,040
Fire Department Equipment	325,158	105,926
Future Operating Expenditures	413,498	-
Machinery and Equipment Depreciation	197,161	107,038
Municipal Roads Capital	-	28,612
Parks and Open Space	429,298	379,615
Parks and Recreation Equipment	-	193,004
Parks Improvements	129,472	-
Police Equipment, Property and Contract	557,690	637,936
Police Operation and Maintenance	654,152	729,906
Road Trust	-	123,894
Sewer System Capital	728,114	685,503
Sewer System Equipment Replacement	-	129,760
Tax Sale Land	-	8,909
Internal borrowing	-	(79,000)
West Shore Parks and Recreation Society reserves	305,083	287,828
	<u>4,536,504</u>	<u>3,633,971</u>
	<u>\$ 133,599,490</u>	<u>\$ 128,647,307</u>

Interest on internal borrowing is calculated and funded annually by the general fund. As a result the internal borrowing has no impact on the annual investment interest allocated to the reserves.

Town of View Royal

Notes to Consolidated Financial Statements

Year ended December 31, 2017

13. Taxes for municipal purposes

The Town is required to collect taxes on behalf of and transfer these amounts to the government agencies noted below. Taxes levied over or under the amounts requisitioned are recorded as accounts payable or receivable.

	2017	2016
Taxes:		
Property tax	\$ 15,519,032	\$ 14,268,254
Grants in lieu of taxes	200,557	203,644
1% Utility tax	120,842	121,229
	<hr/> 15,840,431	<hr/> 14,593,127
Less taxes levied for other authorities:		
School authorities	4,307,645	4,179,333
Capital Regional District	1,720,980	1,468,667
Capital Regional Hospital District	714,663	658,817
British Columbia Assessment Authority	129,349	129,310
British Columbia Transit	711,258	683,112
Municipal Finance Authority	552	455
	<hr/> 7,584,447	<hr/> 7,119,694
Taxes for municipal purposes	<hr/> \$ 8,255,984	<hr/> \$ 7,473,433

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

14. Gaming revenue

The Town has an agreement with the Province whereby 10% of the net gaming revenue from community casinos is to be paid to local governments. The Town has also has a casino revenue sharing agreement with neighbouring municipalities whereby 55% of the revenue received from the Province in respect of the gaming facility situated within the Town is to be disbursed to these governments. This disbursement is netted against the gaming revenue in the financial statements for the Town as disclosed below.

	2017	2016
Gaming revenue:		
Amounts received during the year	\$ 4,205,372	\$ 4,241,679
Disbursements to partner municipalities	(2,312,954)	(2,332,923)
Net gaming revenue included in government grants and transfers	\$ 1,892,418	\$ 1,908,756

15. Government grants and transfers

	2017	2016
Conditional transfers		
Federal	\$ 463,537	\$ 455,980
Provincial	1,908,021	2,466,146
Other agencies	-	100,158
	2,371,558	3,022,284
Unconditional transfers		
Small communities protection	381,120	371,110
Traffic fine revenue sharing	57,082	62,925
	438,202	434,035
Total government grants and transfers	\$ 2,809,760	\$ 3,456,319

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

16. Commitments and contingencies

- a) The Capital Regional District ("CRD") debt, under provisions of the Local Government Act, is a direct, joint and several liability of the CRD and each member municipality within the CRD, including the Town.
- b) The Town is a shareholder and member of the Capital Region Emergency Service Telecommunications Incorporated ("CREST") which provides centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.
- c) The Town is a defendant in various lawsuits. Whether claims are in progress or have yet to be initiated, the Town records an accrual in respect of legal claims that are likely to be successful and for which an amount is reasonably determinable.
- d) Under borrowing arrangements with the MFA, the Town is required to lodge security by means of demand notes and interest bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are included in the Town's financial assets as restricted cash and are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the Town. At December 31, 2017 there were contingent demand notes of \$204,201 (2016 - \$204,201).
- e) The Town entered into a long term contract with the Federal Government and the Royal Canadian Mounted Police for the provision of police services. Under the terms of this contract, the Town is responsible for 70% of policing costs, which in 2018 are estimated to be \$1,320,000.
- f) The Town has purchase orders in the amount of \$101,480 open as at December 31, 2017 which have not been recorded. These amounts have been taken account in the budget and will be recorded in the period the goods and services, to which they relate, are received.

Town of View Royal

Notes to Consolidated Financial Statements

Year ended December 31, 2017

17. Contaminated site

The Town owns one property not in productive use with levels of contamination exceeding current environmental standards. Testing of the contamination in 2003 found no known threats to human health or safety. The property is surrounded by the ocean and undeveloped privately owned land with no current development applications. The property and surrounding privately owned land were historically occupied by a plywood mill. Due to uncertainty regarding the future development of the surrounding private property, the Town is unable to reasonably estimate what, if any, loss of future economic benefits will occur. As such no liability has been recorded in the financial statements for the year ending December 31, 2017.

18. Financial plan

The financial plan amounts presented throughout these financial statements are audited and represent the five year financial plan bylaw approved by Council on May 2, 2017. The summary below reconciles the 2017 adopted financial plan to the Consolidated Statement of Operations.

	Financial plan
Revenue	
Revenue per Bylaw 967 - Financial Plan Bylaw 2017-2021	\$ 15,032,270
Transfers from Casino reserve	(941,149)
Transfers from Gas Tax reserve	(668,330)
Internal cost allocation	(469,602)
<u>West Shore Parks and Recreation Society</u>	<u>914,101</u>
Total revenue per Statement of Operations	\$ 13,867,290
Expenses	
Expenses per Bylaw 967 - Financial Plan Bylaw 2017-2021	\$ 15,374,218
Transfers to Sewer reserve	(86,800)
Internal cost allocation	(469,602)
<u>West Shore Parks and Recreation Society</u>	<u>925,860</u>
Total expenses per Statement of Operations	\$ 15,743,676
Budgeted deficit	\$ (1,876,386)

The budgeted deficit represents the planned results of operations prior to transfers between reserve funds and appropriated surpluses, debt repayments and capital expenditures.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

19. West Shore Parks and Recreation Society

a) Capital asset transfer

The lands and facilities comprising the Juan de Fuca Recreation Centre are owned by the member municipalities (the "Municipalities") in their proportionate share, as specified in the Co-Owners' Agreement. The Town became party to the agreement effective January 1, 2007. Future improvements are allocated among the partners as per the cost sharing formula in effect each year for each service or facility, as outlined in a Members' Agreement. For 2017, the Town's share of improvements purchased by the Society on its behalf is \$nil (2016 - \$nil).

Because the cost sharing formula in the Members' Agreement produces different cost shares for the members from year to year, there is a gain or loss on the opening fund balances. In 2017, the Town recorded a gain of \$nil (2016 - gain of \$8,090).

The participating Municipalities have each become members in the Society, which was incorporated to provide parks, recreation and community services to the Municipalities under contract. Under terms of an Operating, Maintenance and Management Agreement, the Society is responsible to equip, maintain, manage and operate the facilities located at the recreation centre.

b) Consolidation

Financial results and budget for the Society are consolidated into the Town's financial statements proportionately, based on the cost sharing formula outlined in the Members' Agreement. In 2017, the Town's proportion for consolidation purposes was 14.608% (2016 - 14.608%). Condensed financial information for the Society is as follows:

	2017	2016
Financial assets	\$ 3,501,452	\$ 3,356,046
Financial liabilities	2,260,252	2,065,793
Net financial assets	1,241,200	1,290,253
Non-financial assets	976,001	996,842
Accumulated surplus	\$ 2,217,201	\$ 2,287,095
Revenues	\$ 5,639,648	\$ 6,210,461
Requisition for members	4,968,939	4,968,945
	10,608,587	11,179,406
Expenses	10,678,481	10,789,730
Annual surplus (deficit)	\$ (69,894)	\$ 389,676

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2017

20. Segmented information

The Town is a diversified municipal organization that provides a wide range of services to its citizens. Town services are provided by departments and their activities reported separately. Certain functions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

a) General Government

The general government operations provide the functions of corporate administration, finance, human resources and legislative services and any other functions categorized as non-departmental.

b) Protective Services

Protective Services includes the View Royal Fire Rescue which is a composite fire department responsible to provide fire suppression service, fire inspections of public buildings, and training and education of volunteer firemen as well as the citizens of View Royal. In addition, it also includes policing provided by the RCMP, emergency planning, animal control and the maintenance and enforcement of building and construction bylaws as well as all other municipal bylaws. Fire protection services are provided to the Songhees and Esquimalt First Nation communities under contract.

c) Transportation

Transportation services comprises a wide variety of services such as the annual maintenance of all municipally owned roads and bridges, sidewalks, street signage, boulevards, bus shelters, street lighting and traffic signals. Transportation also includes the design, inspection, and maintenance of the storm drain collection systems.

d) Environmental health services

Environmental health services includes solid waste collection and disposal as well as collection and disposal of liquid waste through the sanitary sewer service.

e) Planning and development services

Environmental development services include all land use, planning and zoning issues in the Town.

f) Recreation and cultural services

Recreation and culture includes maintenance and development of all parks and green spaces within the Town as well as the Town's financial contribution to the services provided by the Greater Victoria Public Library and the Town's portion of West Shore Parks and Recreation Society.

g) Consolidated schedules of segmented disclosure by service

Schedules 1 and 2 provide additional financial information for the foregoing functions. Certain allocation methodologies have been employed in the preparation of the segmented financial information. Taxation is apportioned based on budgeted taxation revenue as presented in the consolidated financial plan.

21. Comparative figures

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

Town of View Royal

Consolidated Schedule of Segment Disclosure by Service
Year ended December 31, 2017

2017	General Government	Protective Services	Transportation Services	Environmental Health Services	Planning and Development Services	Recreation and Cultural Services	2017 Actual	2017 Budget
(Note 18)								
Revenue								
Taxation for municipal purposes	\$ 1,568,278	\$ 2,811,837	\$ 2,934,124	\$ -	\$ 467,885	\$ 473,860	\$ 8,255,984	\$ 8,308,904
User charges	619,827	574,237	166,049	1,332,814	466,617	764,051	3,923,595	3,059,667
Investment income	57,993	10,917	5,062	8,722	-	3,403	86,097	117,000
Actuarial adjustments on debt	-	48,658	-	-	-	-	48,658	-
Penalties and fines	43,628	-	-	-	-	-	43,628	51,000
Development charges earned	-	-	2,000	95,000	11,835	54,446	163,281	192,000
Contributions from developers and others	-	-	347,000	19,750	-	4,376,750	4,743,500	50,000
Other revenue from own sources	14,001	68,379	-	-	-	51,698	134,078	206,549
Government grants and transfers	1,672,816	258,650	125,225	-	-	753,069	2,809,760	1,882,170
Total revenue	3,976,543	3,772,678	3,579,460	1,456,286	946,337	6,477,277	20,208,581	13,867,290
Expense								
Labour and benefits	1,197,808	1,470,658	380,476	51,088	380,309	1,336,329	4,816,668	3,861,950
Goods and services	817,654	2,128,064	2,265,346	704,091	46,022	1,244,203	7,205,380	8,833,993
Amortization	91,477	361,615	2,017,900	208,044	2,657	292,024	2,973,717	2,786,100
Debt interest	-	260,633	-	-	-	-	260,633	261,633
Total expense	2,106,939	4,220,970	4,663,722	963,223	428,988	2,872,556	15,256,398	15,743,676
Surplus (deficit)	\$ 1,869,604	\$ (448,292)	\$ (1,084,262)	\$ 493,063	\$ 517,349	\$ 3,604,721	\$ 4,952,183	\$ (1,876,386)

Town of View Royal

Consolidated Schedule of Segment Disclosure by Service
Year ended December 31, 2017

2016	General Government	Protective Services	Transportation Services	Environmental Health Services	Planning and Development Services	Recreation and Cultural Services	2016 Actual	2016 Budget
Revenue								
Taxation for municipal purposes	\$ 1,084,763	\$ 2,985,222	\$ 2,608,614	\$ -	\$ 412,767	\$ 382,067	\$ 7,473,433	\$ 7,403,364
User charges	36,791	329,630	73,337	1,272,601	452,690	850,939	3,015,988	3,666,264
Investment income	86,684	17,559	6,116	21,273	-	6,848	138,480	115,000
Actuarial adjustments on debt	-	35,026	-	-	-	-	35,026	-
Penalties and fines	54,351	-	-	-	-	-	54,351	58,300
Development charges earned	-	-	122,493	-	-	-	122,493	218,861
Contributions from developers and others	5,076	-	3,620,690	314,576	-	2,522,000	6,462,342	-
Other revenue from own sources	25,727	67,935	-	-	-	50,188	143,850	114,820
Government grants and transfers	564,254	283,307	1,001,999	-	-	1,606,759	3,456,319	3,342,966
Total revenue	1,857,646	3,718,679	7,433,249	1,608,450	865,457	5,418,801	20,902,282	14,919,575
Expense								
Labour and benefits	1,131,114	1,361,231	379,613	51,093	375,284	1,329,750	4,628,085	3,687,576
Goods and services	841,822	1,878,463	1,960,311	574,885	20,920	1,172,142	6,448,543	9,057,704
Amortization	79,732	356,384	1,936,529	220,843	2,657	295,480	2,891,625	2,750,000
Change in proportionate share of West Shore Parks and Recreation Society	-	-	-	-	-	(8,090)	(8,090)	-
Debt interest	-	260,633	-	-	-	-	260,633	263,033
Total expense	2,052,668	3,856,711	4,276,453	846,821	398,861	2,789,282	14,220,796	15,758,313
Surplus (deficit)	\$ (195,022)	\$ (138,032)	\$ 3,156,796	\$ 761,629	\$ 466,596	\$ 2,629,519	\$ 6,681,486	\$ (838,738)

Town of View Royal

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2017

	Land	Land Improvements	Buildings	Vehicles, Machinery & Equipment	Engineering Structures			Work in Progress	West Shore	2017	2016
					Roads	Drainage	Sewer				
Cost											
Balance, beginning	\$ 42,270,853	\$ 4,167,085	\$ 10,393,866	\$ 5,750,784	\$ 59,896,813	\$ 21,604,764	\$ 12,444,680	\$ 491,820	\$ 9,299,550	\$ 166,320,215	\$ 157,584,710
Additions	4,315,000	374,612	-	153,045	629,266	322,745	19,750	392,911	27,354	6,234,683	9,056,227
Disposals or write-downs	-	(8,500)	-	(3,229)	(170,049)	-	-	-	(7,246)	(189,024)	(320,722)
Completed during year	-	-	-	-	-	-	-	(329,191)	-	(329,191)	-
Balance, ending	46,585,853	4,533,197	10,393,866	5,900,600	60,356,030	21,927,509	12,464,430	555,540	9,319,658	172,036,683	166,320,215
Accumulated amortization											
Balance, beginning	-	1,924,120	2,268,921	3,069,852	21,584,081	4,129,298	2,874,969	-	2,620,919	38,472,160	35,766,920
Current year amortization	-	165,792	214,687	325,406	1,707,373	252,853	132,143	-	175,462	2,973,716	2,891,625
Accumulated amortization on disposals or write- downs	-	(8,500)	-	(1,917)	(128,556)	-	-	-	(6,661)	(145,634)	(186,385)
Balance, ending	-	2,081,412	2,483,608	3,393,341	23,162,898	4,382,151	3,007,112	-	2,789,720	41,300,242	38,472,160
Net book value	\$ 46,585,853	\$ 2,451,785	\$ 7,910,258	\$ 2,507,259	\$ 37,193,132	\$ 17,545,358	\$ 9,457,318	\$ 555,540	\$ 6,529,938	\$ 130,736,441	\$ 127,848,055