



Consolidated Financial Statements of

## **TOWN OF VIEW ROYAL**

Year ended December 31, 2016

# **TOWN OF VIEW ROYAL**

Consolidated Financial Statements

Year ended December 31, 2016

## Financial Statements

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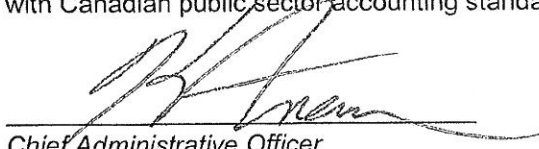
## **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements of the Town of View Royal (the "Town") are the responsibility of Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in the notes to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

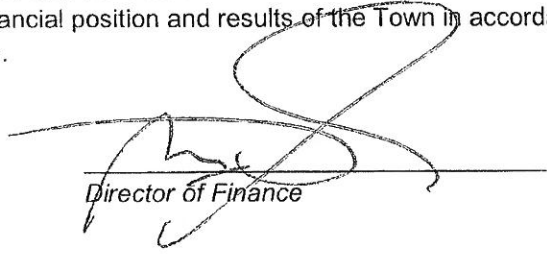
The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Grant Thornton LLP, independent external auditors appointed by the Town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the Town in accordance with Canadian public sector accounting standards.



Chief Administrative Officer



Director of Finance



Grant Thornton

An instinct for growth™

## INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of  
THE TOWN OF VIEW ROYAL

Grant Thornton LLP  
823 Canada Avenue  
Duncan, BC  
V9L 1V2

### *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, 2016, 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, 2016, 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.

### *Other Matter*

The financial statements of the Town of View Royal for the year ended December 31, 2015, were audited by Hayes Stewart Little & Co. The partners and staff of Hayes Stewart Little & Co joined Grant Thornton LLP subsequent to October 1, 2016.

*Grant Thornton LLP*

Victoria, BC  
May 2, 2017

Chartered Professional Accountants



# TOWN OF VIEW ROYAL

## Consolidated Statement of Financial Position

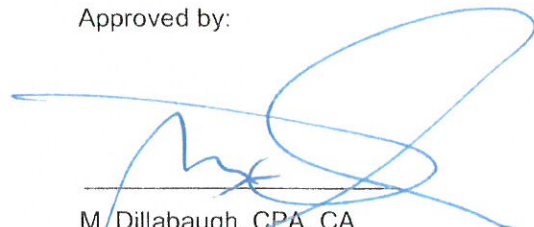
December 31, 2016, with comparative information for 2015

	2016	2015 (restated note 17)
<b>Financial assets:</b>		
Cash and temporary investments (note 4)	\$ 15,675,883	\$ 16,186,579
Taxes receivable	139,599	147,801
Accounts receivable	1,564,941	1,580,690
Inventory held for sale	9,328	6,112
Assets held for sale (note 5)	327,940	272,315
	17,717,691	18,193,497
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	3,326,108	3,456,688
Deposits	1,145,450	1,951,220
Deferred revenue (note 6)	5,030,249	5,093,629
Prepaid property taxes	438,236	382,085
Long-term debt (note 7)	6,897,532	7,232,118
Employee future benefit obligations (note 8)	190,109	182,279
	17,027,684	18,298,019
<b>Net financial assets</b>	690,007	(104,522)
<b>Non-financial assets:</b>		
Tangible capital assets (note 9)	127,848,055	121,817,790
Prepaid expenses	109,245	252,553
	127,957,300	122,070,343
<b>Accumulated surplus (note 10)</b>	\$ 128,647,307	\$ 121,965,821

### Commitments and contingencies (note 13)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by:



M. Dillabaugh, CPA, CA  
Director of Finance

# TOWN OF VIEW ROYAL

## Consolidated Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	Financial plan	2016	2015
	(note 15)		(restated note 17)
<b>Revenues:</b>			
Taxation, net (note 11)	\$ 7,403,364	\$ 7,473,433	\$ 6,909,917
User charges	2,772,223	3,015,988	2,832,289
Government transfers:			
Provincial (note 12)	2,513,506	2,900,181	2,608,814
Federal	805,312	455,980	436,557
Municipal and other	24,148	100,158	33,756
Investment income	115,000	138,480	194,000
Actuarial adjustment to debt	-	35,026	21,838
Penalties and fines	58,300	54,351	56,988
Development charges earned	218,861	122,493	106,116
Contributions from developers and others	-	6,462,342	19,562
Other revenue from own sources	94,760	143,850	132,470
<b>Total revenues</b>	<b>14,005,474</b>	<b>20,902,282</b>	<b>13,352,307</b>
<b>Expenses:</b>			
General government	2,358,233	2,052,668	1,958,043
Protective services	3,892,493	3,856,711	3,185,435
Transportation services	4,216,410	4,276,453	4,057,260
Environmental health services	1,174,324	846,821	887,400
Planning and development	449,607	398,861	385,596
Recreation and cultural	2,753,145	2,789,282	2,751,226
<b>Total expenses</b>	<b>14,844,212</b>	<b>14,220,796</b>	<b>13,224,960</b>
<b>Annual (deficit) surplus</b>	<b>(838,738)</b>	<b>6,681,486</b>	<b>127,347</b>
<b>Accumulated surplus, beginning of year</b>	<b>121,965,821</b>	<b>\$ 121,965,821</b>	<b>121,838,474</b>
<b>Accumulated surplus, end of year (note 10)</b>	<b>\$ 121,127,083</b>	<b>\$ 128,647,307</b>	<b>\$ 121,965,821</b>

The accompanying notes are an integral part of these consolidated financial statements.

# TOWN OF VIEW ROYAL

## Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	Financial plan (note 15)	2016	2015 (restated note 17)
<b>Annual (deficit) surplus</b>	\$ (838,738)	\$ 6,681,486	\$ 127,347
Acquisition of tangible capital assets	(2,643,298)	(1,952,888)	(1,514,160)
Contributions of tangible capital assets	-	(6,967,376)	(283,000)
Amortization of tangible capital assets	2,746,500	2,891,625	2,630,706
Loss (Gain) on disposal and write-down of tangible capital assets		6,464	(593)
Proceeds on sale of tangible capital assets	-	-	30,000
Write-downs of tangible capital assets	-	-	4,502
Change in proportionate share of West Shore	-	(8,090)	(149,128)
	103,202	(6,030,265)	718,327
Acquisition and consumption of prepaid expenses	-	143,308	98,036
<b>Change in net financial assets</b>	(735,536)	794,529	943,710
<b>Net financial assets, beginning of year</b>	(110,634)	(104,522)	(1,048,232)
<b>Net financial assets, end of year</b>	\$ (846,170)	\$ 690,007	\$ (104,522)

The accompanying notes are an integral part of these consolidated financial statements.

# TOWN OF VIEW ROYAL

## Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus	\$ 6,681,486	\$ 127,347
Items not involving cash:		
Amortization of tangible capital assets	2,891,625	2,630,706
Loss on disposal and write-down of tangible capital assets	6,465	3,907
Contributions of tangible capital assets	(6,967,376)	(283,000)
Change in employee benefits obligations	7,830	(6,889)
Change in proportionate share of West Shore	(8,090)	(149,128)
Actuarial adjustment on debt	(35,026)	(21,838)
Changes in non-cash operating assets and liabilities:		
Assets held for resale	(55,625)	(172,315)
Inventory held for sale	(3,216)	3,751
Accounts receivable	15,749	333,217
Taxes receivable	8,202	66,304
Accounts payable and accrued liabilities	(130,578)	(417,359)
Deposits	(805,770)	476,995
Deferred revenue	(63,381)	204,254
Prepaid property taxes	56,151	35,423
Prepaid expenses	143,308	98,036
	1,741,754	2,929,411
<b>Capital activities:</b>		
Proceeds on sale of tangible capital assets	-	30,000
Acquisition of tangible capital assets	(1,952,891)	(1,514,160)
	(1,952,891)	(1,484,160)
<b>Financing activities:</b>		
Debt issued	-	-
Debt repaid	(299,559)	(310,449)
	(299,559)	(310,449)
<b>(Decrease) Increase in cash and cash equivalents</b>	<b>(510,696)</b>	<b>1,134,802</b>
<b>Cash and temporary investments, beginning of year</b>	<b>16,186,579</b>	<b>15,051,777</b>
<b>Cash and temporary investments, end of year</b>	<b>\$ 15,675,883</b>	<b>\$ 16,186,579</b>

The accompanying notes are an integral part of these consolidated financial statements.

# TOWN OF VIEW ROYAL

## Notes to Consolidated Financial Statements

Year ended December 31, 2016

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Town of View Royal (the "Town") is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. The Town's principal activities include the provision of local government services to residents of the incorporated area.

### 1. Significant accounting policies:

The consolidated financial statements of the Town are prepared by management in accordance with Canadian public sector accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the Town are as follows:

#### (a) Reporting entity:

The consolidated financial statements reflect the combination of all the assets, liabilities, revenues, expenses, and changes in fund balances and in financial position of the Town. The consolidated financial statements of the Town include the Town's proportionate interest in West Shore Parks and Recreation Society ("West Shore"), an organization jointly controlled by the Town. The Town does not administer any trust activities on behalf of external parties other than the disbursement of casino revenues to other municipal partners as described in note 12.

#### (b) Basis of accounting:

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

#### (c) Revenue recognition:

- (i) Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year.
- (ii) Sale of services and user fee revenues are recognized when the service or product is rendered by the Town and the amounts are received or become receivable.
- (iii) Grant revenues are recognized when the funding becomes receivable.
- (iv) Revenue unearned in the current period is recorded as deferred revenue.

# TOWN OF VIEW ROYAL

## Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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### 1. Significant accounting policies (continued):

#### (d) 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.

#### (e) Cash and temporary investments:

Cash and temporary investments include investments in the Municipal Finance Authority of British Columbia ("MFA") Money Market, Intermediate, and Short-Term Bond that are recorded at cost plus earnings reinvested in the funds, which at December 31, 2016 would approximate market value. These temporary investments consist of cash on deposit in the MFA investment funds that are highly liquid, readily convertible to cash, and are subject to an insignificant risk of change in value.

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

#### (f) 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.

#### (g) Long-term debt:

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



# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 1. Significant accounting policies (continued):

### (h) Employee future benefits:

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.

### (i) 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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

### (i) Tangible capital assets:

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

Asset	Useful life - years
Land	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 are less than the book value of the asset.

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 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 and also are recorded as revenue.

### (iii) Works of art, 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:

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

### (k) Government transfers:

Government transfers received are recognized in the consolidated financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized and all eligibility criteria have been met.

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 1. Significant accounting policies (continued):

### (j) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of accrued 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.

## 2. Change in accounting treatment:

Due to the broad scope of eligible expenditures, presentation comparability within regional local government, and agreement and repayment criteria changes, the Town has adjusted the accounting treatment related to the receipt and expenditure of the Gas Tax Agreement Funds and Gaming revenue. Previously unspent amounts were considered a liability and were deferred until specific eligible expenditures were incurred. Under the new treatment amounts are recognized as revenue when received. As outlined in note 17 the prior period has been adjusted to reflect this change.

## 3. 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.

## 4. Cash and temporary investments:

	2016	2015
Bank deposits	\$ 4,552,003	\$ 1,216,300
Municipal Finance Authority – Money Market	910,363	3,899,293
Municipal Finance Authority – Intermediate	1,921,541	2,896,659
Municipal Finance Authority – Short-Term Bond	8,291,976	8,174,327
	<u>\$ 15,675,883</u>	<u>\$ 16,186,579</u>

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 4. Cash and temporary investments (continued):

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 0.81% to 1.43%.

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

	2016	2015
Restricted cash – MFA	\$ 88,131	\$ 85,734
Restricted cash – West Shore reserve funds	287,828	276,852
Restricted investments – reserve funds	3,346,143	3,164,815
Restricted investments – development cost charges	4,516,979	4,486,734
	<u>\$ 8,239,081</u>	<u>\$ 8,014,135</u>

The Town has an operating line of credit with the Toronto Dominion Bank an authorized amount of \$1,000,000, bearing interest at bank prime rate less 0.50% per annum. At December 31, 2016 the balance outstanding was \$nil (2015 - \$nil).

## 5. Assets held for sale:

Total assets held for sale of the year was \$327,940 (2015 - \$272,315). Assets held for sale consist of a parcel of land that is no longer in use and has been placed for sale. The asset has been reclassified from a tangible capital asset to an asset held for sale.

## 6. Deferred revenue:

	2016	2015
Development cost charges:		
Deferred development cost charges, beginning of year	4,486,734	4,269,564
Amounts received during the year	95,201	228,261
Interest earned	57,537	95,024
Eligible expenses	(122,493)	(106,116)
Deferred development cost charges, end of year	4,516,979	4,486,733
Deferred revenue - other	513,270	606,896
Total deferred revenue	<u>\$ 5,030,249</u>	<u>\$ 5,093,629</u>

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 7. Long-term debt:

### (a) Debt outstanding:

MFA Issue Number	Interest rate	Maturity date	Originally Approved	Net debt 2016	Net debt 2015
117	3.25%	Oct 12, 2026	\$2,445,000	\$1,783,634	\$1,926,482
127	3.30%	Apr 7, 2034	5,490,000	5,113,898	5,305,636
			\$7,935,000	\$6,897,532	\$7,232,118

### (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
2017	\$ 306,470
2018	306,470
2019	306,470
2020	306,470
2021	306,470

### (c) Interest expense:

Total interest expense during the year was \$260,633 (2015 - \$260,633).

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 8. Employee future benefit obligations:

Employee benefit obligations represent accrued benefits as follows:

	2016	2015
Vacation payable	\$36,763	\$39,388
Accrued overtime	14,996	14,563
Sick leave entitlements	81,900	73,100
West Shore employee future benefit obligations	56,450	55,228
	<u>\$190,109</u>	<u>\$182,279</u>

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, 2016.

Information about liabilities for accrued sick leave is as follows:

	2016	2015
Accrued benefit liability, beginning of year	\$73,100	\$64,400
Current service cost	7,800	7,600
Interest cost	2,300	2,000
Benefits paid	(800)	(400)
Amortization of actuarial (gain)	(500)	(500)
Accrued benefit liability, end of year	<u>\$81,900</u>	<u>\$73,100</u>

	2016	2015
Accrued benefit liability, end of year	81,900	73,100
Unamortized gain	(9,200)	(7,400)
Accrued benefit obligation, end of year	<u>\$72,700</u>	<u>\$65,700</u>

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:

	2016	2015
Discount rates	3.50%	3.20%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2.58 to 4.50%	2.58 to 4.50%



# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 8. Employee future benefit 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 \$240,117 (2015 - \$233,545) for employer contributions while Town employees contributed \$207,513 (2015 - \$203,733) to the plan in fiscal 2016.

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

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

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 9. Tangible capital assets:

	Cost (Dec 31, 2015)	Additions	Disposals/ Write-downs/ Change in West Shore ownership	Cost (Dec 31, 2016)	Accumulated Amortization (Dec 31, 2015)	Disposals/ Change in West Shore ownership	Amortization	Accumulated Amortization (Dec 31, 2016)	Net Book Value (Dec 31, 2015)	Net Book Value (Dec 31, 2016)
Land	\$ 39,013,252	\$ 3,257,602	\$ -	\$ 42,270,854	\$ -	\$ -	\$ -	\$ -	\$ 39,013,252	\$ 42,270,854
Land Improvements	3,497,208	669,877	-	4,167,085	1,775,547	-	148,576	1,924,123	1,721,661	2,242,962
Buildings	10,163,978	229,885	-	10,393,863	2,044,348	-	224,573	2,268,921	8,119,630	8,124,942
Vehicles										
Machinery and Equipment	5,718,628	181,199	190,592	5,709,235	2,940,277	185,362	262,508	3,017,423	2,778,351	2,691,812
Engineering Structures - General	77,647,089	3,854,489	-	81,501,578	23,825,337	-	1,898,041	25,723,378	53,821,752	55,778,200
Engineering Structures - Sewer	12,111,723	374,507	-	12,486,230	2,734,573	-	182,823	2,917,396	9,377,150	9,568,834
Work In Progress	186,701	441,080	135,961	491,820	-	-	-	-	186,701	491,820
West Shore	9,246,131	47,588	(5,831)	9,299,550	2,446,838	1,023	175,104	2,620,919	6,799,293	6,678,631
	\$ 157,584,710	\$ 9,056,227	\$ 320,722	\$ 166,320,215	\$ 35,766,920	\$ 186,385	\$ 2,891,625	\$ 38,472,160	\$ 121,817,790	\$ 127,848,055

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 9. Tangible capital assets (continued):

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

Assets under construction totaling \$491,820 (2015 - \$186,701) 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 \$6,967,376 (2015 - \$283,000).

- (c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset has been recognized at a nominal value.

- (d) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$nil (2015 - \$nil).

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 10. Accumulated surplus:

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

	2016	2015
		(note 17)
<b>Surplus:</b>		
Equity in tangible capital assets	\$ 120,967,366	\$ 114,595,605
Unrestricted general fund surplus	2,985,252	2,974,824
Unrestricted sewer fund surplus	1,060,718	953,726
<b>Total surplus</b>	<b>125,013,336</b>	<b>118,524,155</b>
<b>Reserve funds set aside for specific purposes by Council:</b>		
Capital Works and Land Acquisition	295,040	232,368
Fire Department Equipment	105,926	165,193
Machinery and Equipment Depreciation	107,038	85,910
Municipal Roads Capital	28,612	28,250
Parks and Open Space	379,615	355,038
Parks and Recreation Equipment	193,004	165,845
Police Equipment, Property and Contract	637,936	627,888
Police Operation and Maintenance	729,906	720,672
Road Trust	123,894	122,326
Sewer System Capital	685,503	692,297
Sewer System Equipment Replacement	129,760	118,231
Tax Sale Land	8,909	8,796
Internal borrowing	(79,000)	(158,000)
West Shore reserves	287,828	276,852
<b>Total reserve funds</b>	<b>3,633,971</b>	<b>3,441,666</b>
	<b>\$ 128,647,307</b>	<b>\$ 121,965,821</b>

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 (continued)

Year ended December 31, 2016

## 11. Net taxes available 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.

	2016	2015
Taxes:		
Property taxes	\$ 14,268,254	\$ 13,689,268
Revenues in lieu of taxes	203,644	197,908
1% utility taxes	121,229	127,398
	14,593,127	14,014,574
Less taxes levied for other authorities:		
School authorities	4,179,333	4,211,152
Capital Regional District	1,468,667	1,443,009
Capital Regional Hospital District	658,817	648,464
BC Transit	683,112	667,775
BC Assessment Authority	129,310	133,824
Municipal Finance Authority	455	433
	7,119,694	7,104,657
Net taxes available for municipal purposes	\$ 7,473,433	\$ 6,909,917

## 12. Gaming revenue:

The Town has entered into 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 entered into 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. The disbursement of the 55% is netted against the revenue in the financial statements for the Town and is disclosed below as a disbursement to other municipal partners.

	2016	2015
Gaming revenue:		
Amounts received during the year	4,241,679	4,085,166
Disbursements:		
Other municipal partners	(2,332,923)	(2,246,841)
Net gaming revenue included in Provincial transfer	1,908,756	1,838,325

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 13. 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 ("CREST") Incorporated 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. The Town records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. The Town is self-insured through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$10,000. Should the Association pay out claims in excess of premiums received, it is possible that the Town, along with the other participants, would be required to contribute towards the deficit.

A delay claim has been initiated against the Town alleging significant financial losses by the claimant as a result of alleged construction delays caused by the Town. No litigation has commenced regarding this matter. The Town has denied this claim and is vigorously defending the claim. As a final outcome of the claim and the potential financial impact to the Town is not determinable, the Town has not recorded any provision for this matter in the financial statements as at December 31, 2016.

- (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, 2016 there were contingent demand notes of \$204,201 (2015 - \$204,201).



# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 13. Commitments and contingencies (continued):

- (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. The 2017 estimated cost of this contract is \$1,359,003. The total 2017 estimated cost of the police services is \$1,745,003. RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members. As the final outcome of the legal action and the potential financial impact to the Town is not determinable, the Town has not recorded any provision for this matter in the financial statements as at December 31, 2016.
- (f) The Town has purchase orders in the amount of \$115,624 open as at December 31, 2016 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.

## 14. 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, 2016.

## 15. Financial plan data:

The budget data presented in these consolidated financial statements is based upon the 2016 operating and capital budgets approved by Council on May 10, 2016, adjusted to reflect West Shore proportionately consolidated budgeted revenues and expenses. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 15. Financial plan data (continued):

	Financial plan amount
Revenues:	
Financial plan	\$13,091,373
West Shore	914,101
Total revenues	14,005,474
Expenses:	
Financial plan	13,930,112
West Shore	914,101
Total expenses	14,844,213
Annual deficit	\$(838,739)

The annual deficit represents the planned results of operations prior to budgeted transfers between reserve funds, debt repayments and capital expenditures. Interdepartmental revenues and expenses, having no net impact on the annual surplus, have been removed from the financial plan balances to conform to the presentation required.

## 16. 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 2016, the Town's share of improvements purchased by the Society on its behalf is \$nil (2015 - \$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 2016, the Town recorded a gain of \$8,090 (2015 - a gain of \$149,128).

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.

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 16. West Shore Parks and Recreation Society (continued):

### (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 2016, the Town's proportion for consolidation purposes was 14.608% (2015 - 14.591%). Condensed financial information for the Society is as follows:

	2016	2015
Financial assets	\$ 3,356,046	\$ 3,414,023
Financial liabilities	2,065,793	2,422,204
Net financial assets	1,290,253	991,819
Non-financial assets	996,842	905,600
Accumulated surplus	\$ 2,287,095	\$ 1,897,419
Revenues	\$ 6,210,461	\$ 6,433,559
Requisition for members	4,968,945	4,844,916
	11,179,406	11,278,475
Expenses	10,789,730	11,445,282
Annual surplus (deficit)	\$ 389,676	\$ (166,807)

## 17. Comparative figures:

Certain comparative figures have been adjusted to record the change in accounting treatment described in note 2. Opening accumulated surplus for 2015 has increased by the previously recorded opening deferred balance for both the Gaming revenue and Gas Tax Agreement funds (\$790,641 and \$175,795 respectively). Gaming and Gas Tax Agreement funds 2015 revenue recorded has increased \$12,498 and \$429,455 respectively. Prior period investment revenue recognized has increased by \$3,739. The 2015 statement of cash flows, annual surplus, and change in net financial assets have been adjusted to reflect these changes. Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 18. 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:

### **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.

### **Protective services**

Protective Services includes the View Royal Fire Rescue which is a paid / 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.

### **Transportation services**

Transportation services is comprised of 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.

### **Environmental health services**

Environmental health services are comprised of the following services:

- Solid Waste Management – providing the service of solid waste collection and disposal to the citizens of View Royal.
- Liquid Waste Management (Sewer) Services – providing the removal of the Town's waste water (sewage).

### **Planning and development services**

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

### **Recreation and cultural services**

Recreation and culture is comprised of services meant to improve the health and development of the citizens of View Royal.

This segment includes maintenance and development of all parks and green space 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.

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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## 18. Segmented information (continued):

### **Statement of segmented information**

The following statement provides 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 18. Segmented information (continued):

2016	General Government	Protective Services	Transportation Services	Environmental Health Services	Planning and Development Services	Recreation and Cultural Services	Total
<b>Revenues:</b>							
Taxation	\$ 1,084,763	\$ 2,985,222	\$ 2,608,614	\$ -	\$ 412,767	\$ 382,067	\$ 7,473,433
User charges	36,791	329,630	73,337	1,272,601	452,690	850,939	3,015,988
Developer charges earned	-	-	122,493	-	-	-	122,493
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
Investment income	86,684	17,559	6,116	21,273	-	6,848	138,480
Penalties and fines	54,351	-	-	-	-	-	54,351
Actuarial adjustment to debt	-	35,026	-	-	-	-	35,026
Government transfers	564,254	283,307	1,001,999	-	-	1,606,759	3,456,319
Total revenues	1,857,646	3,718,679	7,433,249	1,608,450	865,457	5,418,801	20,902,282
<b>Expenses:</b>							
Salaries, wages, and benefits	1,131,114	1,361,231	379,613	51,093	375,284	1,329,750	4,628,085
Contracted and general services	341,389	1,594,589	1,703,273	518,939	7,051	633,695	4,798,936
Materials, supplies, and utilities	64,182	114,637	236,057	45,102	2,080	164,184	626,242
Other	436,251	169,237	20,981	10,844	11,789	374,263	1,023,365
Amortization	79,732	356,384	1,936,529	220,843	2,657	295,480	2,891,625
Change in proportionate share of West Shore	-	-	-	-	-	(8,090)	(8,090)
Debt services	-	260,633	-	-	-	-	260,633
Total expenses	2,052,668	3,856,711	4,276,453	846,821	398,861	2,789,282	14,220,796
Annual surplus (deficit)	\$ (195,022)	\$ (138,032)	\$ 3,156,796	\$ 761,629	\$ 466,596	\$ 2,629,519	\$ 6,681,486



# TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

## 18. Segmented information (continued):

2015	General Government	Protective Services	Transportation Services	Environmental Health Services	Planning and Development Services	Recreation and Cultural Services	Total
<b>Revenues:</b>							
Taxation	\$ 966,389	\$ 2,788,311	\$ 2,437,220	\$ -	\$ 394,276	\$ 323,721	\$ 6,909,917
User charges	9,818	308,348	85,525	1,213,166	351,589	863,843	2,832,289
Developer charges earned	-	-	106,116	-	-	-	106,116
Contributions from developers and others	9,562	-	-	-	-	10,000	19,562
Other revenue from own sources	16,268	66,135	-	-	-	50,067	132,470
Investment income	103,318	23,298	8,986	47,832	-	10,566	194,000
Penalties and fines	56,988	-	-	-	-	-	56,988
Actuarial adjustment to debt	-	21,838	-	-	-	-	21,838
Government transfers	1,123,176	308,968	362,726	-	-	1,284,257	3,079,127
Total revenues	2,285,519	3,516,898	3,000,573	1,260,998	745,865	2,542,454	13,352,307
<b>Expenses:</b>							
Salaries, wages, and benefits	1,026,833	1,304,295	357,269	50,366	355,873	1,302,258	4,396,894
Contracted and general services	368,488	1,214,455	1,634,019	571,301	10,268	621,983	4,420,514
Materials, supplies, and utilities	61,917	101,409	202,010	40,544	1,813	181,566	589,259
Other	376,393	146,803	18,368	12,355	14,985	507,178	1,076,082
Amortization	124,412	157,840	1,845,594	212,834	2,657	287,369	2,630,706
Change in proportionate share of West Shore	-	-	-	-	-	(149,128)	(149,128)
Debt services	-	260,633	-	-	-	-	260,633
Total expenses	1,958,043	3,185,435	4,057,260	887,400	385,596	2,751,226	13,224,960
Annual surplus (deficit)	\$ 327,476	\$ 331,463	\$ (1,056,687)	\$ 373,598	\$ 360,269	\$ (208,772)	\$ 127,347

# **TOWN OF VIEW ROYAL**

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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