



Consolidated Financial Statements

Town of View Royal

Year ended December 31, 2018

45 View Royal Avenue
Victoria, BC Canada
V9B 1A6
www.viewroyal.ca

Town of View Royal

Consolidated Financial Statements

Year ended December 31, 2018

TABLE OF CONTENTS

Management's Responsibility for Financial Reporting	1
Independent Auditors' Report	2
Consolidated Financial Statements	
Statement A: Consolidated Statement of Financial Position	4
Statement B: Consolidated Statement of Operations	5
Statement C: Consolidated Statement of Change in Net Financial Assets	6
Statement D: Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supporting Schedules	
Schedule 1: Consolidated Schedule of Segment Disclosure by Service - 2018	25
Schedule 2: Consolidated Schedule of Segment Disclosure by Service - 2017	26
Schedule 3: Consolidated Schedule of Tangible Capital Assets	27

Town of View Royal

Consolidated Financial Statements
Year ended December 31, 2018

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, 2019

Independent auditor's report

To the Mayor and Councillors of the Town of View Royal

Opinion

We have audited the consolidated financial statements of the Town of View Royal ("the Town"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of View Royal as at December 31, 2018, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated] Financial Statements

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

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

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

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

May 7, 2019

Victoria, BC

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants

Town of View Royal

Consolidated Statement of Financial Position
as at December 31, 2018

	2018	2017
		(Restated Note 2)
Financial assets		
Cash and cash equivalents (Note 4)	\$ 23,657,124	\$ 19,643,095
Property taxes receivable	99,859	125,807
Accounts receivable (Note 5)	1,990,564	1,680,126
Inventory held for sale	11,533	6,469
Assets held for sale (Note 6)	148	-
	25,759,228	21,455,497
Liabilities		
Accounts payable and accrued liabilities (Note 7)	3,237,636	3,312,764
Deposits	1,924,911	1,354,621
Deferred revenue (Note 9)	4,841,234	3,094,796
Prepaid property taxes	451,695	432,065
Long-term debt (Note 10)	6,187,677	6,549,564
Employee benefits and retirement obligations (Note 11)	227,457	206,789
	16,870,610	14,950,599
Net financial assets	8,888,618	6,504,898
Non-financial assets		
Tangible capital assets (Note 12) (Schedule 3)	132,732,190	130,736,441
Inventory of supplies	11,610	9,209
Prepaid expenses	81,058	86,860
	132,824,858	130,832,510
Commitments and contingencies (Note 17)		
Accumulated surplus (Note 13)	\$ 141,713,476	\$ 137,337,408



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

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

Town of View Royal

Consolidated Statement of Operations

Year ended December 31, 2018

	Financial plan (Note 19)	2018	2017 (Restated Note 2)
Revenue			
Taxes for municipal purposes (Note 14)	\$ 8,475,680	\$ 8,290,169	\$ 8,255,984
User charges	3,012,352	3,346,851	3,745,660
Investment income	105,000	321,736	86,097
Actuarial adjustments on debt	-	62,863	48,658
Penalties and fines	58,000	55,678	51,429
Development charges earned	35,500	18,612	163,281
Contributions from developers and others	-	3,529,100	4,743,500
Other revenue from own sources	467,807	347,642	304,212
Government grants and transfers (Notes 15, 16)	3,251,733	3,159,210	2,809,760
	<u>15,406,072</u>	<u>19,131,861</u>	<u>20,208,581</u>
Expense			
General government services	4,845,932	2,116,932	2,106,939
Protective services	3,840,163	4,055,751	4,220,970
Transportation services	2,714,168	4,205,012	4,663,722
Environmental health services	1,096,259	911,400	963,223
Development services	521,018	436,884	428,988
Recreation and cultural services	2,768,322	3,029,814	2,872,556
	<u>15,785,862</u>	<u>14,755,793</u>	<u>15,256,398</u>
Annual surplus (deficit)	(379,790)	4,376,068	4,952,183
Accumulated surplus, beginning	133,599,490	133,599,490	128,647,307
Prior period adjustments (Note 2)	-	3,737,918	3,737,918
Accumulated surplus, beginning of year, as restated	133,599,490	137,337,408	132,385,225
Accumulated surplus, ending	\$ 133,219,700	\$ 141,713,476	\$ 137,337,408

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

Town of View Royal

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2018

	Financial plan (Note 19)	2018	2017 (Restated Note 2)
Annual surplus (deficit)	\$ (379,790)	\$ 4,376,068	\$ 4,952,183
Acquisition of tangible capital assets	-	(1,515,773)	(1,311,237)
Contributed tangible capital assets	-	(3,495,413)	(4,594,255)
Amortization of tangible capital assets	-	3,021,767	2,973,716
Loss on disposal of tangible capital assets	-	21,832	43,390
Change in proportionate share of West Shore Parks and Recreation Society	-	(28,162)	-
Change in inventory of supplies	-	(2,401)	(9,209)
Change in prepaid expenses	-	5,802	22,385
Increase (decrease) in net financial assets	(379,790)	2,383,720	2,076,973
Net financial assets, beginning	6,504,898	6,504,898	4,427,925
Net financial assets, ending	\$ 6,125,108	\$ 8,888,618	\$ 6,504,898

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

Town of View Royal

Consolidated Statement of Cash Flows

Year ended December 31, 2018

	2018	2017
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 4,376,068	\$ 4,952,183
Items not affecting operating activities		
Contributed tangible capital assets	(3,495,413)	(4,594,255)
Amortization of tangible capital assets	3,021,767	2,973,716
Loss on disposal and write-down of tangible capital assets	21,832	43,390
Change in inventory of supplies	(2,401)	(9,209)
Change in prepaid expenses	5,802	22,385
Actuarial adjustment on debt	(55,417)	(41,498)
Change in proportionate share of West Shore Parks and Recreation Society	(28,162)	-
Decrease (increase) in non-cash financial assets		
Property taxes receivable	25,948	13,792
Accounts receivable	(310,438)	(115,185)
Inventory held for sale	(5,064)	2,859
Assets held for resale	(148)	327,940
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(75,128)	(13,344)
Deposits	570,290	209,171
Deferred revenue	1,746,438	1,802,465
Prepaid property taxes	19,630	(6,171)
Employee benefits and retirement obligations	20,668	16,680
	5,836,272	5,584,919
Capital activities		
Acquisition of tangible capital assets	(1,515,773)	(1,311,237)
Financing activities		
Debt principal repaid	(306,470)	(306,470)
Increase (decrease) in cash and cash equivalents	4,014,029	3,967,212
Cash and temporary investments, beginning	19,643,095	15,675,883
Cash and cash equivalents, ending	\$ 23,657,124	\$ 19,643,095

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

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2018

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, 2018

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, 2018

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, 2018

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.

I) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of 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, 2018

2. Prior period adjustment

In 2018, the Town identified several development cost charge eligible projects that were funded from the Sewer System Capital reserve fund and casino revenue appropriated surplus account in years 2001 – 2011 in error. The total value of these projects is \$3,737,918.

Adjustments to the affected accounts have been applied retroactively and the 2017 comparative figures have been restated as follows:

	December 31, 2017 (as previously stated)	Adjustments due to restatements	December 31, 2017 (as restated)
<u>Consolidated Statement of Financial Position</u>			
Deferred Revenue	\$ 6,832,714	\$ (3,737,918)	\$ 3,094,796
Accumulated surplus, end of year	\$ 133,599,490	\$ 3,737,918	\$ 137,337,408
<u>Consolidated Statement of Operations</u>			
Accumulated surplus, beginning of year	\$ 128,647,307	\$ 3,737,918	\$ 132,385,225
Accumulated surplus, end of year	\$ 133,599,490	\$ 3,737,918	\$ 137,337,408
<u>Consolidated Statement of Change in Net Financial Assets</u>			
Net financial assets, beginning of year	\$ 690,007	\$ 3,737,918	\$ 4,427,925
Net financial assets, end of year	\$ 2,766,980	\$ 3,737,918	\$ 6,504,898

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.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2018

4. Cash and cash equivalents

	2018	2017
Bank deposits	\$ 12,290,307	\$ 8,474,605
Municipal Finance Authority - Money Market	934,394	919,229
Municipal Finance Authority - Intermediate	1,973,473	1,936,612
Municipal Finance Authority - Short-Term Bond	8,458,950	8,312,649
	<u>\$ 23,657,124</u>	<u>\$ 19,643,095</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 1.66% to 1.91%.

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

	2018	2017
		(Restated Note 2)
Restricted cash - MFA	\$ 91,804	\$ 89,849
Restricted cash - West Shore reserve funds	298,718	305,083
Restricted investments - reserve funds (Note 8)	7,368,114	5,484,396
Restricted investments - development cost charges	2,959,224	4,856,528
	<u>\$ 10,717,860</u>	<u>\$ 10,735,856</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, 2018 the balance outstanding was \$nil (2017 - \$nil).

5. Accounts Receivable

	2018	2017
Government of Canada	\$ 238,488	\$ 254,440
Province of British Columbia	13,502	-
Regional and local governments	14,763	5,373
Other trade receivables	1,723,811	1,420,313
	<u>\$ 1,990,564</u>	<u>\$ 1,680,126</u>

6. Assets held for sale

In 2018 the Town acquired a parcel of land, a portion of which it intends to subdivide and sell. Total costs to prepare the parcel for sale at the end of the year were \$148 (2017 - \$nil).

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2018

7. Accounts payable and accrued liabilities

	2018	2017
Government of Canada	\$ 4,413	\$ 2,800
Province of British Columbia	7,079	781
Regional and local governments	654,515	555,534
Payroll liabilities	71,022	144,272
Other trade payables	2,500,607	2,609,377
	<u>\$ 3,237,636</u>	<u>\$ 3,312,764</u>

8. 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.

	2018	2017
Community Works Fund, beginning balance	\$ 362,312	\$ 404,458
Amounts received during the year	469,632	497,482
Interest earned	9,301	2,780
Amounts allocated to projects during the year	(282,032)	(542,408)
	<u>\$ 559,213</u>	<u>\$ 362,312</u>

9. Deferred revenue

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

	2018	2017
		(Restated Note 2)
Development cost charges:		
Beginning of year	\$ 2,371,586	\$ 779,061
Received during the year	1,755,044	1,717,275
Interest earned	104,182	38,531
Recognized as revenue	(18,612)	(163,281)
End of year	<u>4,212,200</u>	<u>2,371,586</u>
Deferred revenue - other	629,034	723,210
Total deferred revenue	<u>\$ 4,841,234</u>	<u>\$ 3,094,796</u>

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2018

10. Long-term debt

a) Debt outstanding

MFA Issue #	Matures	Rate	Original Amount	Net Balance	
				2018	2017
117	Oct. 12, 2026	3.25%	\$ 2,445,000	\$ 1,480,571	\$ 1,635,074
127	Apr. 7, 2034	3.30%	5,490,000	4,707,106	4,914,490
			\$ 7,935,000	\$ 6,187,677	\$ 6,549,564

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
2019	\$ 306,470
2020	306,470
2021	306,470
2022	306,470
2023	306,470
Thereafter including earnings on sinking fund payments	4,655,327
Total	\$ 6,187,677

c) Interest expense

Total interest expense during the year was \$260,633 (2017 - \$260,633).

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2018

11. Employee benefit and retirement obligations

Employee benefit obligations represent accrued benefits as follows:

	2018	2017
Vacation payable	\$ 46,655	\$ 45,296
Accrued overtime	25,275	20,441
Sick leave entitlements	97,500	90,600
West Shore employee future benefit obligations	58,027	50,452
	\$ 227,457	\$ 206,789

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, 2018.

Information about liabilities for accrued sick leave is as follows:

	2018	2017
Accrued benefit obligation, beginning of year	\$ 90,600	\$ 81,900
Current service cost	9,100	7,800
Interest cost	2,800	2,800
Benefits paid	(4,900)	(1,200)
Amortization of actuarial (gain)	(100)	(700)
Accrued benefit liability, end of year	\$ 97,500	\$ 90,600

	2018	2017
Accrued benefit liability, end of year	\$ 97,500	\$ 90,600
Unamortized gain	(5,400)	(1,800)
Accrued benefit obligation, end of year	\$ 92,100	\$ 88,800

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 11 years.

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

	2018	2017
Discount rates	3.30%	2.90%
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, 2018

11. Employee benefit and retirement obligations (continued)

Municipal Pension Plan

The Town and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of 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, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent 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. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Town paid \$284,739 (2017 - \$247,506) for employer contributions while Town employees contributed \$231,811 (2017 - \$198,355) to the plan in fiscal 2018.

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.

12. Tangible capital assets

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

Assets under construction totaling \$924,121 (2017 - \$555,540) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2018

12. Tangible capital assets (continued)

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 \$3,495,413 (2017 - \$4,594,255).

c) Gain or loss on disposal of tangible capital assets

During the year, the Town recognized a \$21,832 loss on disposal of tangible capital assets. (2017 - \$43,390 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 (2017 - \$nil).

13. Accumulated surplus

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

	2018	2017
		(Restated Note 2)
Surplus:		
Equity in tangible capital assets	\$ 126,575,962	\$ 124,210,880
Appropriated surplus - casino revenue	3,952,662	3,831,535
Appropriated surplus - Community Works Fund	559,213	362,312
Appropriated surplus - other	372,832	369,532
Unrestricted accumulated surplus	3,838,953	2,773,669
	135,299,622	131,547,928
Reserve funds set aside for specific purposes by Council:		
Capital Renewal	277,962	193,206
Capital Works and Land Acquisition	676,594	603,672
Fire Department Equipment	390,915	325,158
Future Operating Expenditures	637,284	413,498
Machinery and Equipment Depreciation	274,420	197,161
Parks and Open Space	438,052	429,298
Parks Improvements	118,653	129,472
Police Equipment, Property and Contract	560,338	557,690
Police Operation and Maintenance	978,507	654,152
Sewer System Capital	1,762,411	1,981,090
West Shore Parks and Recreation Society reserves	298,718	305,083
	6,413,854	5,789,480
	\$ 141,713,476	\$ 137,337,408

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, 2018

14. 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.

	2018	2017
Taxes:		
Property tax	\$ 15,826,267	\$ 15,519,032
Grants in lieu of taxes	64,836	200,557
1% Utility tax	128,292	120,842
	<u>16,019,395</u>	<u>15,840,431</u>
Less taxes levied for other authorities:		
School authorities	4,317,179	4,307,645
Capital Regional District	1,892,159	1,720,980
Capital Regional Hospital District	704,238	714,663
British Columbia Assessment Authority	133,159	129,349
British Columbia Transit	681,872	711,258
Municipal Finance Authority	619	552
	<u>7,729,226</u>	<u>7,584,447</u>
Taxes for municipal purposes	<u>\$ 8,290,169</u>	<u>\$ 8,255,984</u>

15. 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.

	2018	2017
Gaming revenue:		
Amounts received during the year	\$ 4,601,635	\$ 4,205,372
Disbursements to partner municipalities	(2,530,899)	(2,312,954)
Net gaming revenue included in government grants and transfers	<u>\$ 2,070,736</u>	<u>\$ 1,892,418</u>

Town of View Royal

Notes to Consolidated Financial Statements

Year ended December 31, 2018

16. Government grants and transfers

	2018	2017
Conditional transfers		
Federal	\$ 483,842	\$ 463,537
Provincial	2,124,237	1,908,021
Other agencies	95,752	-
	<u>2,703,831</u>	<u>2,371,558</u>
Unconditional transfers		
Small communities protection	385,643	381,120
Traffic fine revenue sharing	69,736	57,082
	<u>455,379</u>	<u>438,202</u>
Total government grants and transfers	\$ 3,159,210	\$ 2,809,760

17. 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, 2018 there were contingent demand notes of \$204,201 (2017 - \$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 2019 are estimated to be \$1,850,000.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2018

17. Commitments and contingencies (continued)

- f) The Town has purchase orders in the amount of \$1,060,790 open as at December 31, 2018 which have not been recorded. These amounts have been taken into account in the budget and will be recorded in the period the goods and services to which they relate are received.
- g) On December 4, 2018, the Town of View Royal awarded a contract to Safetek Fire Apparatus of Abbotsford, BC in the amount of \$814,600, excluding taxes for the purpose of replacing one heavy rescue fire apparatus. Delivery of the fire truck is expected to occur in 2020.

18. 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, 2018.

19. 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 March 20, 2018. The summary below reconciles the 2018 adopted financial plan to the Consolidated Statement of Operations.

	Financial plan
Revenue	
Revenue per Bylaw 988 - Financial Plan Bylaw 2018-2022	\$ 14,532,663
West Shore Parks and Recreation Society	873,409
<u>Total revenue per Statement of Operations</u>	<u>\$ 15,406,072</u>
Expenses	
Expenses per Bylaw 988 - Financial Plan Bylaw 2018-2022	\$ 14,912,453
West Shore Parks and Recreation Society	873,409
<u>Total expenses per Statement of Operations</u>	<u>\$ 15,785,862</u>
<u>Budgeted deficit</u>	<u>\$ (379,790)</u>

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, 2018

20. 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 2018, the Town's share of improvements purchased by the Society on its behalf is \$12,802 (2017 - \$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 2018, the Town recorded a gain of \$28,162 (2017 - \$nil).

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 2018, the Town's proportion for consolidation purposes was 14.671% (2017 - 14.608%). Condensed financial information for the Society is as follows:

	2018	2017
Financial assets	\$ 3,636,125	\$ 3,501,452
Financial liabilities	2,233,137	2,260,252
Net financial assets	1,402,988	1,241,200
Non-financial assets	1,030,170	976,001
Accumulated surplus	\$ 2,433,158	\$ 2,217,201
Revenues	\$ 6,547,215	\$ 5,639,648
Requisition for members	4,947,539	4,968,939
	11,494,754	10,608,587
Expenses	11,278,796	10,678,481
Annual surplus (deficit)	\$ 215,958	\$ (69,894)

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2018

21. 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.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2018

22. 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, 2018

2018	General Government	Protective Services	Transportation Services	Environmental Health Services	Planning and Development Services	Recreation and Cultural Services	2018 Actual	2018 Budget (Note 19)
Revenue								
Taxation for municipal purposes	\$ 2,136,527	\$ 2,671,250	\$ 2,501,019	\$ -	\$ 364,904	\$ 616,469	\$ 8,290,169	\$ 8,475,680
User charges	13,870	441,384	69,296	1,341,590	608,265	872,446	3,346,851	3,012,352
Investment income	213,288	34,992	22,438	39,759	-	11,259	321,736	105,000
Actuarial adjustments on debt	-	62,863	-	-	-	-	62,863	-
Penalties and fines	52,838	2,840	-	-	-	-	55,678	58,000
Development charges earned	-	-	-	2,519	16,093	-	18,612	35,500
Contributions from developers and others	-	-	823,018	172,395	-	2,533,687	3,529,100	-
Other revenue from own sources	105,147	69,995	41,426	52,629	-	78,445	347,642	467,807
Government grants and transfers	1,527,017	368,766	126,906	-	-	1,136,521	3,159,210	3,251,733
Total revenue	4,048,687	3,652,090	3,584,103	1,608,892	989,262	5,248,827	19,131,861	15,406,072
Expense								
Labour and benefits	1,230,864	1,517,877	439,018	50,307	398,101	1,431,638	5,067,805	4,149,799
Goods and services	795,772	1,912,218	1,721,133	651,006	36,126	1,317,495	6,433,750	8,504,530
Amortization	90,296	365,023	2,044,861	210,087	2,657	308,843	3,021,767	2,870,900
Change in proportionate share of West Shore Parks and Recreation Society	-	-	-	-	-	(28,162)	(28,162)	-
Debt interest	-	260,633	-	-	-	-	260,633	260,633
Total expense	2,116,932	4,055,751	4,205,012	911,400	436,884	3,029,814	14,755,793	15,785,862
Surplus (deficit)	\$ 1,931,755	\$ (403,661)	\$ (620,909)	\$ 697,492	\$ 552,378	\$ 2,219,013	\$ 4,376,068	\$ (379,790)

Town of View Royal

Consolidated Schedule of Segment Disclosure by Service
Year ended December 31, 2018

2017	General Government	Protective Services	Transportation Services	Environmental Health Services	Planning and Development Services	Recreation and Cultural Services	2017 Actual	2017 Budget
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	14,002	68,379	-	-	-	51,697	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	3,976,544	3,772,678	3,579,460	1,456,286	946,337	6,477,276	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)	\$ 1,869,605	\$ (448,292)	\$ (1,084,262)	\$ 493,063	\$ 517,349	\$ 3,604,720	\$ 4,952,183	\$ (1,876,386)

Town of View Royal

Consolidated Schedule of Tangible Capital Assets
Year ended December 31, 2018

	Land	Land Improvements	Buildings	Vehicles, Machinery & Equipment	Engineering Structures			Work in Progress	West Shore	2018	2017
					Roads	Drainage	Sewer				
Cost											
Balance, beginning	46,585,853	4,533,198	10,393,866	5,900,600	60,356,029	21,927,509	12,464,430	555,541	9,319,659	\$ 172,036,685	\$ 166,320,215
Additions	2,505,467	297,280	27,314	197,020	828,626	392,985	179,495	520,912	62,087	5,011,186	6,234,683
Disposals or write-downs	-	(30,000)	-	(70,506)	(17,921)	-	-	-	(5,771)	(124,198)	(189,024)
Completed during year	10,105	120,724	-	21,503	-	-	-	(152,332)	-	-	(329,191)
Balance, ending	49,101,425	4,921,202	10,421,180	6,048,617	61,166,734	22,320,494	12,643,925	924,121	9,375,975	176,923,673	172,036,683
Accumulated amortization											
Balance, beginning	-	2,081,415	2,483,608	3,393,340	23,162,897	4,382,150	3,007,112	-	2,789,720	\$ 41,300,242	\$ 38,472,160
Current year amortization	-	185,724	214,872	331,224	1,718,163	257,991	133,185	-	180,608	3,021,767	2,973,716
Accumulated amortization on disposals or write-downs	-	(30,000)	-	(53,519)	(14,161)	-	-	-	(32,846)	(130,526)	(145,634)
Balance, ending	-	2,237,139	2,698,480	3,671,045	24,866,899	4,640,141	3,140,297	-	2,937,482	44,191,483	41,300,242
Net book value	\$ 49,101,425	\$ 2,684,063	\$ 7,722,700	\$ 2,377,572	\$ 36,299,835	\$ 17,680,353	\$ 9,503,628	\$ 924,121	\$ 6,438,493	\$ 132,732,190	\$ 130,736,441