

# **District of North Saanich**

## **Financial Statements**

**Year ended December 31, 2016**

# District of North Saanich

December 31, 2016

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# District of North Saanich

December 31, 2016

## Management's Responsibility for the Financial Statements

The accompanying financial statements of the District of North Saanich (the "District") are the responsibility of the District's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

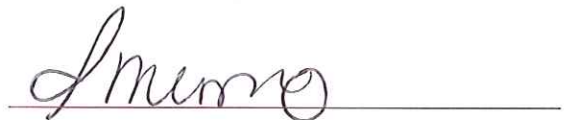
The District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely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

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

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the District. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the District's financial statements.



Chief Administrative Officer



Director of Financial Services

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## Independent Auditor's Report

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To the Mayor and Council of the District of North Saanich

We have audited the accompanying financial statements of District of North Saanich, which comprise the Statement Financial Position as at December 31, 2016, and the Statements 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 Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the District of North Saanich as at December 31, 2016 and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*

Chartered Professional Accountants

Victoria, British Columbia  
May 8, 2017

# District of North Saanich

## Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Financial assets</b>		
Cash and cash equivalents (note 2)	\$ 18,024,873	\$ 9,953,764
Portfolio investments (note 3)	10,269,383	14,418,213
Accounts receivable		
Taxes	471,120	501,718
Other (note 4)	1,407,769	1,590,602
Debt reserve deposits (note 8)	201,393	195,917
	<b>\$ 30,374,538</b>	<b>\$ 26,660,214</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	3,377,714	3,187,879
Prepaid property taxes	527,450	457,545
Deferred revenue (note 14)	1,662,840	1,262,828
Deposits	1,657,431	548,949
Employee future benefit liability (note 6)	376,700	381,600
Capital lease obligations	320	4,150
Debt (note 7)	8,086,521	8,843,878
	<b>\$ 15,688,976</b>	<b>\$ 14,686,829</b>
<b>Net financial assets</b>	<b>\$ 14,685,562</b>	<b>\$ 11,973,385</b>
<b>Non-financial assets</b>		
Tangible capital assets (note 9)	64,601,794	63,375,433
Materials and supplies	179,871	133,214
Prepaid expenses	83,281	63,751
	<b>\$ 64,864,946</b>	<b>\$ 63,572,398</b>
<b>Accumulated surplus</b>	<b>\$ 79,550,508</b>	<b>\$ 75,545,783</b>

Contingencies and commitments (notes 8,13 and 17)



Director of Financial Services



Mayor

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

# District of North Saanich

## Statement of Operations

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

	Budget (note 16)	2016	2015
<b>Revenues: (note 15)</b>			
Net taxes available for municipal purposes (note 11)	\$ 11,858,500	\$ 12,089,809	\$ 11,719,905
Sale of services			
General	543,000	1,140,870	688,163
Water utility fees and charges	2,829,900	3,088,960	2,893,506
Sewer utility fees and charges	1,157,900	1,167,313	1,123,819
Other revenue	-	918,450	100,274
Investment earnings	82,700	602,036	576,359
Government transfers (note 12)	960,300	940,788	1,181,613
Net gain on disposal of tangible capital assets	-	-	218,300
	\$ 17,432,300	\$ 19,948,226	\$ 18,501,939
<b>Expenses: (note 15)</b>			
General government	4,032,453	3,264,620	2,981,429
Protective services	2,969,149	2,698,998	2,904,025
Solid waste management and environment	70,000	60,805	64,882
Planning and community	964,500	933,783	871,575
Transportation	3,164,141	2,868,349	3,269,363
Parks, recreation and culture	1,304,274	1,286,536	1,253,774
Water utility	2,915,109	2,896,815	2,833,201
Sewer utility	1,981,274	1,933,595	1,935,667
	\$ 17,400,900	\$ 15,943,501	\$ 16,113,916
Annual surplus	31,400	4,004,725	2,388,023
Accumulated surplus, beginning of year	75,545,783	75,545,783	73,257,760
Impact of adoption of new accounting standard (note 17)	-	-	(100,000)
Accumulated surplus, end of year	\$ 75,577,183	\$ 79,550,508	\$ 75,545,783

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

# District of North Saanich

## Statement of Change in Net Financial Assets

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

	Budget (note 16)	2016	2015
Annual surplus	\$ 31,400	\$ 4,004,725	\$ 2,388,023
Acquisition of tangible capital assets	(6,354,300)	(3,760,221)	(1,207,984)
Amortization of tangible capital assets	2,288,700	2,533,860	2,408,739
Gain on sale of capital assets	-	-	(218,300)
Proceeds on sale of capital assets	-	-	587,152
	(4,034,200)	2,778,364	3,957,630
Acquisition of materials and supplies	-	(193,808)	(79,923)
Consumption of materials and supplies	-	147,154	119,786
Acquisition of prepaid expenses	-	(58,642)	(57,632)
Use of prepaid expenses	-	39,109	61,694
Change in net financial assets	(4,034,200)	2,712,177	4,001,555
Net financial assets, beginning of year	11,973,385	11,973,385	8,071,830
Impact of adoption of new accounting standard (note 17)	-	-	(100,000)
Net financial assets, end of year	\$ 7,939,185	\$ 14,685,562	\$ 11,973,385

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

# District of North Saanich

## Statement of Cash Flows

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

	2016	2015
<b>Cash provided by (used in):</b>		
<b>Operating transactions:</b>		
Annual surplus	\$ 4,004,725	\$ 2,388,023
Items not involving cash:		
Contributed tangible capital assets	(450,000)	-
Gain on sale of capital assets	-	(218,300)
Amortization of tangible capital assets	2,533,860	2,408,739
Actuarial sinking fund earnings	(252,425)	(219,889)
	5,836,160	4,358,573
Change in non-cash operating assets and liabilities		
Decrease (increase) in accounts receivable - taxes	30,595	57,316
Decrease (increase) in accounts receivable - other	182,833	(232,591)
Decrease (increase) in debt reserve deposits	(5,476)	(16,426)
Decrease (increase) in prepaid expenses	(19,530)	4,061
(Decrease) increase in accounts payable and accrued liabilities	189,835	1,504,948
(Decrease) increase in prepaid property taxes	69,905	1,997
(Decrease) increase in deferred revenue	400,012	119,711
(Decrease) increase in employee future benefit obligations	(4,900)	(4,500)
Decrease (increase) in materials and supplies	(46,654)	39,863
Decrease (increase) in deposits	1,108,482	(10,622)
	7,741,262	5,822,330
<b>Capital transactions:</b>		
Acquisition of tangible capital assets	(3,310,221)	(1,207,984)
Proceeds on disposal of tangible capital assets	-	587,152
	(3,310,221)	(620,832)
<b>Financing transactions:</b>		
Repayment of long-term debt and capital lease obligations	(508,762)	(510,715)
<b>Investing transactions:</b>		
Change in portfolio investments, net	4,148,830	(6,892,580)
Increase (decrease) in cash and cash equivalents	8,071,109	(2,201,797)
Cash and cash equivalents, beginning of year	9,953,764	12,155,561
Cash and cash equivalents, end of year	\$ 18,024,873	\$ 9,953,764

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

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

The District of North Saanich (the "District") is a municipality in the Province of British Columbia that was created on August 19, 1965 pursuant to the Local Government Act of British Columbia and Community Charter of British Columbia. The District provides municipal services such as police, fire, public works, planning, parks and recreation, library, and general government operations.

### 1. Significant accounting policies

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

#### (a) Basis of presentation

The financial statements reflect the assets, liabilities, revenues and expenses of the District and its commissions, committees and cost sharing arrangements.

The District participates in the following cost share agreements with the Town of Sidney:

RCMP police services:

RCMP contract, civilian and building and courtroom maintenance costs are allocated to the District based on the ratio of staff assigned to the District and the total number of staff assigned to the detachment. Only the District's portion of these costs are recorded in the financial statements.

Library building maintenance and capital improvements:

Library maintenance and capital improvements are shared equally by the District and the Town of Sidney. Only the District's portion of these costs are recorded in the financial statements.

Shoal Senior Centre:

Operating expenditures and maintenance are allocated to the District based on the proportion of total North Saanich users and only the District's portion of these costs are recorded in the financial statements.

Interdepartmental and inter-fund transactions have been eliminated. The District does not administer any trust activities on behalf of external parties.

#### (b) Basis of accounting

The District 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 a legal obligation to pay.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 1. Significant accounting policies (continued)

#### (c) Government transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability. Transfers received for which expenses are not yet incurred are included in deferred revenue and will be recognized over the period the liability is settled.

#### (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.

#### (e) Taxation revenue

Taxation revenue is recorded at estimated amounts when it meets the definition of an asset, has been authorized and the taxable event occurs. Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal services in the year they are levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts. Levies imposed by other taxing authorities are not included as taxes for municipal purposes.

Through the British Columbia Assessments' appeal process, taxes may be adjusted by way of supplementary roll adjustments. The effects of these adjustments on taxes are recognized at the time they are awarded.

#### (f) Cash equivalents

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

#### (g) Portfolio Investments

Municipal Finance Authority Pooled Funds and term deposits which are recorded at fair market value (which approximates cost). All other investments are recorded on an amortized cost basis. Investment premiums and discounts are amortized over the term of the respective investment, using the effective interest method. Investments are written down when there is, in the opinion of management, a permanent decline in value.

#### (h) Investment income

Investment income is reported as revenue in the period earned except when required by the funding government or related legal statute, where investment income earned on deferred revenue is added to the investment and forms part the deferred revenue balance.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 1. Significant accounting policies (continued)

(i) Debt

Debt is recorded net of principal repayments and actuarial earnings.

(j) Employee future benefits

The District and its employees make contributions to the Municipal Pension Plan and the Greater Victoria Labour Relations Association (GVLRA) Long-Term Disability Trust. As these are multi-employer plans, contributions are expensed as incurred.

Sick leave benefits and other retirement benefits are also available to the District'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 obligation under this benefit plan is accrued based on projected benefits as the employees render services necessary to earn the future benefits. Long-term disability income benefits are disclosed according to the Greater Victoria Labour Relations Associations' policy.

(k) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Liabilities are recorded net of any expected recoveries.

A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the District is directly responsible or accepts responsibility;
- (iv) it is expected that the future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(l) 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.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 1. Significant accounting policies (continued)

#### (I) Non-financial assets (continued)

##### (i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight line basis over their estimated useful lives. Amortization on work in progress will commence when the asset is put into service.

Capital grants are not netted against the cost of the related tangible capital assets.

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

Estimated useful life for tangible capital assets is as follows with a useful life range provided for those further categorized into segments and/or components:

Asset	Useful life range in years
Buildings	25 to 50
Land improvements	10 to 40
Vehicles, machinery, and equipment	5 to 25
<b>Engineering Structures:</b>	
Roads	10 to 75
Drainage	25 to 80
Water	20 to 80
Sewer	20 to 80
Other	10 to 80

Land has an infinite life and is not amortized. Work in progress is not amortized until the project is substantially completed and put into use.

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

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 1. Significant accounting policies (continued)

#### (l) Non-financial assets (continued)

##### (ii) Contributions of tangible capital assets

Tangible capital assets received as contributions including tangible capital assets in lieu of developer cost charges, is considered to be equal to its fair value at the date of receipt and also are recorded as revenue.

##### (iii) Natural resources

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

##### (iv) Works of art and cultural and historic assets

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

##### (v) 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) Inventories of supplies

Inventories of supplies are recorded at the lower of cost and replacement cost.

#### (m) Deposits

Receipts restricted by third parties for future services or repayment are deferred as deposits and are refundable under certain circumstances. Deposits are recognized as revenue when qualifying expenditures are incurred.

#### (n) 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expensed during the period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, provisions for accrued liabilities and in performing actuarial valuations of employee future benefits, assessment of contaminated sites and provision for contingencies. Actual results could differ from these estimates.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 2. Cash and cash equivalents

Cash equivalents include term deposits in credit unions cashable within 90 days from acquisition. Term deposits have rates of return ranging from 1.20% to 1.55% (2015 - 1.25% to 1.55%).

	2016	2015
Cash	\$ 8,497,468	\$ 2,245,882
Term Deposits	9,527,405	7,707,882
	\$ 18,024,873	\$ 9,953,764

### 3. Portfolio investments

The District's portfolio of investments have maturity dates of more than 90 days at acquisition and include bonds, term deposits in credit unions, and deposits in the Municipal Finance Authority (MFA) Short Term Bond Fund. Term deposits in credit unions have varying maturity dates from May to November 2017 and have rates of return ranging from 1.40% to 1.90% (2015 - 1.40% to 1.90%).

	2016	2015
Term Deposits	\$ 10,269,383	\$ 12,568,103
MFA Short Term Bond Fund	-	1,850,110
	\$ 10,269,383	\$ 14,418,213

### 4. Other accounts receivable

Other accounts receivable consists of the following:

	2016	2015
Utility fees and charges	\$ 1,114,142	\$ 1,158,958
Grants	-	231,665
Sales tax rebates	144,084	118,126
Trade accounts receivable	47,055	53,462
Miscellaneous	102,488	28,391
	\$ 1,407,769	\$ 1,590,602

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2016	2015
Trade accounts payable	\$ 1,570,469	\$ 1,853,210
Other accounts payable	1,448,466	976,563
Accrued payroll liability	258,779	358,106
Contaminated sites liability	100,000	-
	<b>\$ 3,377,714</b>	<b>\$ 3,187,879</b>

### 6. Employee future benefit liability

The District provides sick leave and certain other benefits to its employees in addition to contributions to the Municipal Pension Plan and the GVLRA. These amounts and other employee-related liabilities will require funding in future periods and are set out below:

	2016	2015
Accumulated sick leave	\$ 198,995	\$ 200,168
Retirement benefit payment	177,705	181,432
	<b>\$ 376,700</b>	<b>\$ 381,600</b>

Information about the District's benefit plan for sick leave, retirement benefits and family leave is as follows:

	2016	2015
<b>Accrued benefit obligation - opening:</b>		
Balance, beginning of year	\$ 405,300	\$ 386,100
Current service cost	42,700	41,500
Interest cost	13,100	12,700
Benefits paid	(66,800)	(30,400)
Actuarial loss (gain)	10,900	(4,600)
Accrued benefit obligation - closing	405,200	405,300
Unamortized actuarial loss	(28,500)	(23,700)
Accrued employee future benefit liability	<b>\$ 376,700</b>	<b>\$ 381,600</b>

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 6. Employee future benefit liability (continued)

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

	2016	2015
Discount rates	3.30 %	3.10 %
Expected wage and salary increases	2.00 %	2.50 %
Expected inflation rate	2.00 %	2.50 %

The expected average remaining service life is 10 years (2015 - 10 years). The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$61,900 (2015 - \$60,800).

#### Accumulated sick leave

Accumulated sick leave represents the liability for sick leave banks accumulated for possible draw down at future dates.

#### Retirement benefit payments

Retirement benefit payments represent the District's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments and death benefits.

The amount recorded for these benefits is based on a projected benefit actuarial valuation. The most recent valuation as at December 31, 2013 was projected to December 31, 2016. The actuarial valuation and assumptions upon which it is based are reviewed on a periodic basis.

#### Municipal pension plan

The District and its employees contribute to the Municipal Pension Plan (Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits are based on a formula. The plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local governments.

Every three years, and 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. The rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis.

The District paid \$437,640 for employer contributions to the plan in fiscal 2016 (2015 - \$444,620) and District employees paid \$348,760 (2015 - \$356,367).

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 6. Employee future benefit liability (continued)

#### Municipal pension plan (continued)

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 individual employers participating in the plan.

#### GVLRA/CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employees representing a number of CUPE locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. Employers and employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined as of December 31, 2014. At December 31, 2015, the total plan provision for approved and unreported claims was \$19,101,700 with a net deficit of \$1,519,598. The total plan provision for approved and unreported claims and net surplus or deficit at December 31, 2016 will be available later in 2017. The District paid \$59,155 (2015 - \$62,300) for employer contributions and District employees paid \$59,155 (2015 - \$62,300) for employee contributions to the plan in 2016.

### 7. Debt

	Interest rate	Year of maturity	Gross Debt	Repayments and actuarial earnings	Net debt 2016	Net debt 2015
MFA Issue #80	2.40%	2018	\$ 4,900,000	\$ (4,071,253)	\$ 828,747	\$ 1,241,638
MFA Issue #102	4.82%	2032	7,722,907	(1,968,948)	5,753,959	6,008,599
MFA Issue #127	3.30%	2029	1,680,000	(176,185)	1,503,815	1,593,641
			\$ 14,302,907	\$ (6,216,386)	\$ 8,086,521	\$ 8,843,878

#### MFA debenture debt

The District issues debt instruments through the MFA, pursuant to security issuing bylaws under authority of the Local Government Act, to finance certain capital expenditures. MFA invests the District's principal payments so that the payments plus the investment income earned on repayments (actuarial earnings), will equal the original outstanding debt amount at the end of the repayment period.

The loan agreements with 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 District.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 7. Debt (continued)

The aggregate amount of payments required on the District's debt during each of the next five years and thereafter is as follows:

	2016
2017	\$ 496,420
2018	496,420
2019	269,343
2020	269,343
2021	269,343
Thereafter	1,800,870
Future actuarial interest	4,484,782
	<hr/>
	\$ 8,086,521

### 8. Municipal Finance Authority debt reserve fund

Under borrowing arrangements with the Municipal Finance Authority ("MFA"), the District is required to lodge security by means of demand notes and interest bearing cash deposits based on the amount of borrowing. As debt principal is retired, demand notes are released and the cash deposits are refunded.

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 held by the MFA to act as security against the possibility of debt repayments default. If the debt is returned without default, the deposits are refunded to the District. At December 31, 2016, deposits of \$201,393 (2015 - \$195,917) are recorded as debt reserve deposits.

At December 31, 2016 there were contingent demand notes of \$436,602 (2015 - \$436,602) which are not included in the financial statements of the District.

### 9. Tangible capital assets

Work in progress having a value of \$1,834,576 (2015 - \$778,165) has not been amortized as items are not yet in use.

There are no significant art nor historic treasures owned and held by the District. No tangible capital assets were written down in 2016 or 2015.

# District of North Saanich

Notes to the Financial Statements

Year ended December 31, 2016

## 9. Tangible capital assets (continued)

Engineering Structures										
			Vehicles, Machinery & Equipment							
2016	Land	Land Improvement	Buildings	Roads	Drainage	Water	Sewer	Other	Work in Progress	Total
<b>Cost</b>										
Opening balance	\$ 12,983,568	\$ 1,292,437	\$ 5,873,989	\$ 6,040,080	\$ 31,183,848	\$ 4,774,994	\$ 10,571,504	\$ 26,792,296	\$ 65,381	\$ 778,165 \$100,356,262 \$ 99,584,190
Add: Additions	450,000	354,074	20,233	358,998	230,012	40,566	48,177	441,707	-	1,816,454 3,760,221 1,207,984
Less: Disposals	-	-	(449,677)	-	-	-	-	-	-	(449,677) (435,912)
Less: Completed work in progress	-	-	190,532	2,767	497,404	19,962	-	49,378	(760,043)	- -
Closing balance	13,433,568	1,646,511	5,635,077	6,401,845	31,911,264	4,835,522	10,619,681	27,283,381	65,381	1,834,576 103,666,806 100,356,262
<b>Accumulated Amortization</b>										
Opening balance	-	602,339	2,006,108	3,911,373	18,391,212	1,461,376	5,025,783	5,542,432	40,206	- 36,980,829 34,639,150
Add: Additions	-	50,619	436,125	352,637	967,939	60,579	132,947	531,845	1,169	- 2,533,860 2,408,739
Less: Disposals	-	-	(449,677)	-	-	-	-	-	-	(449,677) (67,060)
Closing balance	-	652,958	1,992,556	4,264,010	19,359,151	1,521,955	5,158,730	6,074,277	41,375	- 39,065,012 36,980,829
Net book value	\$ 13,433,568	\$ 993,553	\$ 3,642,521	\$ 2,137,835	\$ 12,552,113	\$ 3,313,567	\$ 5,460,951	\$ 21,209,104	\$ 24,006	\$ 1,834,576 \$ 64,601,794 \$ 63,375,433

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 10. Accumulated surplus

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

	2016	2015
<b>Surplus</b>		
Invested in tangible capital assets	\$ 56,514,953	\$ 54,527,405
Other	6,534,170	5,563,768
<b>Total surplus</b>	<b>63,049,123</b>	<b>60,091,173</b>
<b>Reserves set aside by Council</b>		
Working funds	8,364,712	7,684,853
Federal Gas Tax Agreement funds	1,976,322	1,461,487
	<b>10,341,034</b>	<b>9,146,340</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
Replacement reserves	2,144,190	2,052,646
Growth and opportunity reserves	1,998,105	2,292,408
Local improvement reserve	971,453	954,293
Parks capital and acquisition reserves	1,046,603	1,008,923
<b>Total reserve funds</b>	<b>6,160,351</b>	<b>6,308,270</b>
	<b>\$ 79,550,508</b>	<b>\$ 75,545,783</b>

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 11. Net taxes available for municipal purposes

	Budget	2016	2015
<b>Taxes collected for general municipal purposes:</b>			
Property and business taxes	\$ 9,366,700	\$ 9,392,382	\$ 9,040,744
Grants in lieu of taxes	1,121,100	1,339,483	1,328,116
Water and sewer system parcel taxes	1,370,700	1,357,944	1,351,045
<b>Total</b>	<b>11,858,500</b>	<b>12,089,809</b>	<b>11,719,905</b>
<b>Taxes collected on behalf of and paid to other governments:</b>			
School Authorities	-	7,924,987	7,911,846
Regional Hospital District	-	1,295,521	1,247,901
Municipal Finance Authority	-	893	834
British Columbia Assessment Authority	-	251,350	255,730
BC Transit Authority	-	1,322,499	1,292,690
Regional District	-	2,783,323	2,652,219
<b>Total</b>	<b>-</b>	<b>13,578,573</b>	<b>13,361,220</b>
<b>Gross taxes collected</b>	<b>\$ 11,858,500</b>	<b>\$ 25,668,382</b>	<b>\$ 25,081,125</b>

### 12. Government transfers

The following government transfers have been included in revenues:

	Budget	2016	2015
<b>Transfers</b>			
Provincial	\$ 440,000	\$ 417,633	\$ 440,271
Federal	520,300	520,285	503,335
Regional and other	-	2,870	238,007
	<b>\$ 960,300</b>	<b>\$ 940,788</b>	<b>\$ 1,181,613</b>

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 13. Contingencies and commitments

(a) Commitment

The District has entered into a five-year renewable agreement with the Town of Sidney, effective January 1, 2012, for the use of the RCMP facilities located in the Town of Sidney. This agreement requires that the District reimburse the Town of Sidney for a share of facility, equipment and staffing costs, based upon the ratio of staff assigned to the District and the total number of staff assigned to the detachment under the Policy Agreement. The annual estimated cost of this contract is \$343,400.

(b) Insurance

The District is a defendant in various lawsuits and historical circumstances may result in additional legal claims. The District records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable.

The District 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 their deductible. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with the other participants, would be required to contribute towards the deficit.

(c) CREST

The District is a shareholder and member of the Capital Regional 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.

(d) Regional District debt

Regional District debt is, under the provisions of the Local Government Act, a direct, joint and several liability of the Regional District and each member municipality within the Regional District, including the District.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 14. Deferred revenue

	2015	Contributions	Recorded as revenue	2016
Sewer Upgrade Contributions	\$ 600,000	\$ -	\$ (444,097)	\$ 155,903
Specified Area Charges	482,905	-	-	482,905
Prepaid Building Permits	174,923	463,075	(540,506)	97,492
Victoria Airport Authority	5,000	-	-	5,000
Amenity Fee Contributions	-	799,040	-	799,040
Cash in Lieu of Parkland Contributions	-	122,500	-	122,500
	\$ 1,262,828	\$ 1,384,615	\$ (984,603)	\$ 1,662,840

### 15. Segmented information

The District is a diversified government organization that provides a wide range of services to its citizens as follows:

#### Protective Services - RCMP, Fire Department and Animal Control

The mandates of the RCMP and Fire Departments are to enforce laws, prevent crime and maintain peace, order and security by protecting life, property and the environment through the provision of emergency response thus, ensuring safe homes and community. The District cost shares with the Town of Sidney to provide policing services through the Royal Canadian Mounted Police (RCMP). District animal control services are provided under contract by the Capital Regional District.

#### Parks, Recreation and Cultural Services

The Parks division of the Infrastructure Services Department is responsible for providing and facilitating high quality parks and recreational facilities. The District cost shares with the Town of Sidney to provide access to recreation and cultural services through the Mary Winspear Centre and Shoal Centre located nearby in the Town of Sidney. The District is a member of the Vancouver Island Regional Library which provides access to information through the library facility located in the Town of Sidney.

#### General Government Services - Legislative; Corporate Services; Financial and Information Technology Services

The functions within General Government Services are responsible for adopting bylaws; adopting administrative policy; levying taxes; acquiring, disposing and managing District assets; ensuring effective financial and human resource management; monitoring performance and ensuring that high quality District service standards are met.

#### Transportation Services - Engineering and Public Works; Roads; Drainage

The Infrastructure Services Department is responsible for the delivery of municipal transportation and storm drainage systems and services and for approving subdivision plans.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 15.. Segmented Information (continued)

#### **Solid Waste Management and Environmental Services**

The management of garbage pickup on municipal public property is the responsibility of the Infrastructure Services Department. Council, through the establishment of Commission and Committees of the District, are provided with feedback and advice to assist in providing policy direction to protect and enhance rural, agricultural, heritage and environmental characteristics.

#### **Planning and Community Services**

The Planning and Community Services Department is responsible for preparing land use plans, bylaws and policies for sustainable development of the District; and conducting building inspections and bylaw enforcement.

#### **Water Utility - Infrastructure Services, Utilities**

The Utilities Division of the Infrastructure Services Department installs and maintains the water mains and pump stations and oversees the distribution of water purchased from the Capital Regional District.

#### **Sewer Utility - Infrastructure Services, Utilities**

The Utilities Division of the Infrastructure Services Department installs and maintains the sewer mains and pump stations of the District.

#### **Statement of Segmented Information**

The following statement provides additional information for the foregoing functions. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

# District of North Saanich

Notes to the Financial Statements

Year ended December 31, 2016

## 15.. Segmented Information (continued)

December 31, 2015	General Government	Protective Services	Solid Waste Management & Environment	Planning and Community	Parks, Recreation and Cultural	Water Utility	Sewer Utility	2015
<b>Revenues</b>								
Net taxes available for municipal purposes	\$ 10,368,860	\$ -	\$ -	\$ -	\$ -	\$ 452,239	\$ 898,806	\$ 11,719,905
Sale of services	83,749	93,221	45,544	374,244	60,435	2,893,506	1,123,819	4,705,488
Other revenue	100,274	-	-	-	-	-	-	100,274
Investment earnings	255,558	-	-	-	-	39,660	281,140	576,359
Government transfers	741,342	440,271	-	-	-	-	-	1,181,613
Net gain on disposal of tangible capital assets	218,300	-	-	-	-	-	-	218,300
	11,768,083	533,492	45,544	374,244	60,435	3,385,405	2,303,765	18,501,939
<b>Expenses</b>								
Salaries, wages and employee benefits	1,731,445	604,827	25,102	815,396	1,292,636	445,514	216,146	5,349,236
Contracted services	866,820	1,994,853	39,506	49,860	686,575	88,489	535,321	5,234,261
Supplies and materials	143,212	91,280	274	6,318	136,111	2,031,401	138,643	2,562,372
Interest and bank charges	14,021	55,440	-	-	-	-	489,844	559,305
Amortization	225,931	157,625	-	-	1,154,041	267,797	555,713	2,408,739
	2,981,429	2,904,025	64,882	871,574	3,269,363	2,833,201	1,935,667	16,113,913
Annual surplus (deficit)	\$ 8,786,654	\$ (2,370,533)	\$ (19,338)	\$ (497,330)	\$ (3,208,928)	\$ 552,204	\$ 368,098	\$ 2,388,023

# District of North Saanich

Notes to the Financial Statements

Year ended December 31, 2016

## 15.. Segmented Information (continued)

December 31, 2016	General Government	Protective Services	Solid Waste Management & Environment	Planning and Community	Parks, Recreation and Cultural	Water Utility	Sewer Utility	2016
<b>Revenues</b>								
Net taxes available for municipal purposes	\$ 10,729,480	\$ -	\$ -	\$ -	\$ -	\$ 457,924	\$ 902,405	\$ 12,089,809
Sale of services	81,320	84,805	43,283	640,669	34,994	3,088,960	1,167,313	5,397,143
Other revenue	474,353	-	-	-	-	-	444,097	918,450
Investment earnings	281,832	-	-	-	-	28,371	291,833	602,036
Government transfers	940,788	-	-	-	-	-	-	940,788
	12,507,773	84,805	43,283	640,669	34,994	3,575,255	2,805,648	19,948,226
<b>Expenses</b>								
Salaries, wages and employee benefits	1,833,895	528,947	28,936	791,153	1,299,425	514,704	185,867	5,394,930
Contracted services	857,500	1,867,256	31,425	131,462	315,207	48,733	552,420	4,805,299
Supplies and materials	78,580	91,188	444	5,878	155,000	2,157,422	140,900	2,651,032
Interest and bank charges	13,095	55,440	-	-	-	-	489,844	558,380
Amortization	481,550	156,167	-	5,290	1,098,717	175,956	564,564	2,533,860
	3,264,620	2,698,998	60,805	933,783	2,868,349	2,896,815	1,933,595	15,943,501
Annual surplus (deficit)	\$ 9,243,153	\$ (2,614,193)	\$ (17,522)	\$ (293,114)	\$ (2,612,550)	\$ (1,251,542)	\$ 678,440	\$ 4,004,725

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2016

### 16. Budget data

The budget data presented in these financial statements is based upon the 2016 budget in Financial Plan Bylaw #1394, Schedule A passed by Council on May 8, 2016.

	2016
<b>Revenues</b>	
Net taxes available for municipal purposes	\$ 11,858,500
Water utility fees and charges	2,829,900
Sewer utility fees and charges	1,157,900
Sale of services	543,000
Other revenue	82,700
Government transfers	960,300
<b>Total revenue</b>	<b>17,432,300</b>
<b>Expenses</b>	
Interest and bank charges	545,300
Amortization	2,288,700
General operating fund	10,824,100
Water operating fund	2,754,900
Sewer operating fund	987,900
	17,400,900
<b>Annual surplus</b>	<b>31,400</b>
<b>ALLOCATIONS</b>	
<b>Add</b>	
Amortization expense	2,288,700
Transfers from own funds	4,530,700
<b>Total additions</b>	<b>6,819,400</b>
<b>Deduct</b>	
Principal payments on debt	496,500
Capital expenditures	6,354,300
<b>Total deductions</b>	<b>6,850,800</b>
<b>Financial Plan balance</b>	<b>\$ -</b>

### 17. Liability for contaminated sites

A liability for contaminated sites has been recorded in amount of \$100,000 (2015 - \$100,000).