

Financial Statements of

**THE CORPORATION OF THE
DISTRICT OF CENTRAL SAANICH**

Year ended December 31, 2017

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Financial Statements

Year ended December 31, 2017

Financial Statements

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

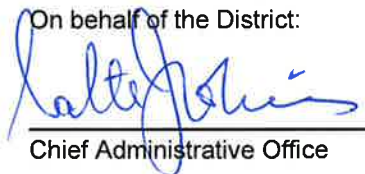
The accompanying financial statements of The Corporation of the District of Central Saanich (the "District") are the responsibility of the District's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting standards for local governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of 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 judgment, 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.

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 KPMG LLP, independent external auditors appointed by the District. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the District's financial statements.

On behalf of the District:



Chief Administrative Office



Director of Financial Services



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria V8W 3Y7
Canada
Telephone (250) 480-3500
Fax (250) 480-3539

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of The Corporation of the District of Central Saanich

We have audited the accompanying financial statements of The Corporation of the District of Central Saanich, which comprise the statement of financial position as at December 31, 2017, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 Corporation of the District of Central Saanich as at December 31, 2017, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 14, 2018

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash and cash equivalents (note 2)	\$ 4,979,769	\$ 2,924,434
Investments (note 2)	22,384,052	22,473,176
Property taxes receivable	502,557	515,718
Accounts receivable	3,399,586	2,442,135
Other government receivables	342,091	355,842
	<u>31,608,055</u>	<u>28,711,305</u>
Financial liabilities:		
Accounts payable and accrued liabilities (note 3)	2,004,150	1,857,153
Refundable deposits	1,689,549	1,777,326
Deferred revenue (note 4)	5,646,413	5,099,397
Debt (note 5)	10,001,478	10,597,014
Employee future benefit obligations (note 6)	1,017,687	1,055,840
	<u>20,359,277</u>	<u>20,386,730</u>
Net financial assets	11,248,778	8,324,575
Non-financial assets:		
Tangible capital assets (note 7)	88,516,859	88,162,527
Inventory of supplies	592,047	529,210
Prepaid expenses	86,961	123,059
	<u>89,195,867</u>	<u>88,814,796</u>
Subsequent event (note 14)		
Accumulated surplus (note 8)	\$ 100,444,645	\$ 97,139,371

Commitments and contingencies (note 11)

The accompanying notes are an integral part of these financial statements

On behalf of the District:



Director of Financial Services



Manager of Finance

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Statement of Operations and Accumulated Surplus

Year ended December 31, 2017, with comparative information for 2016

	Financial plan (note 12)	2017	2016
Revenue:			
Municipal property taxes (note 9)	\$ 15,528,900	\$ 15,521,362	\$ 14,926,307
Grants in lieu of taxes	321,200	312,507	321,658
Sale of services	1,127,400	1,383,170	1,309,025
Permits, licenses and interest	852,800	1,141,361	918,184
Government transfers (note 10)	2,705,500	1,975,021	1,183,830
Water utility	5,430,800	5,074,001	5,224,485
Sewer enterprise	1,210,300	1,455,329	1,245,162
Contributions and donations	135,000	816,814	268,375
Total revenue	27,311,900	27,679,565	25,397,026
Expenses:			
General government	2,673,700	2,306,006	3,213,579
Protective services	7,763,600	7,739,959	7,482,843
Transportation services	5,253,700	5,152,837	5,802,735
Environmental development services	587,500	574,591	375,137
Parks and cultural services	2,616,000	2,688,727	2,605,884
Water utility	4,994,800	4,462,030	4,278,215
Sewer enterprise	1,093,300	1,084,420	855,555
Other fiscal services	430,500	365,721	448,770
Total expenses	25,413,100	24,374,291	25,062,718
Annual surplus	1,898,800	3,305,274	334,308
Accumulated surplus, beginning of year	97,139,371	97,139,371	96,805,063
Accumulated surplus, end of year	\$ 99,038,171	\$ 100,444,645	\$ 97,139,371

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Statement of Change in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	Financial plan (note 12)	2017	2016
Annual surplus	\$ 1,898,800	\$ 3,305,274	\$ 334,308
Acquisition of tangible capital assets	(5,717,400)	(3,075,199)	(1,435,702)
Developer contributions of tangible capital assets	-	(787,308)	(260,325)
Amortization of tangible capital assets	3,737,000	3,508,175	4,060,481
Loss on disposal of tangible capital assets	-	-	11,288
	(1,980,400)	(354,332)	2,375,742
Acquisition of inventory of supplies	-	(62,837)	(55,418)
Use of prepaid expenses	-	36,098	(65,405)
	-	(26,739)	(120,823)
Change in net financial assets	(81,600)	2,924,203	2,589,227
Net financial assets, beginning of year	8,324,575	8,324,575	5,735,348
Net financial assets, end of year	\$ 8,242,975	\$ 11,248,778	\$ 8,324,575

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH
Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 3,305,274	\$ 334,308
Items not involving cash:		
Amortization of tangible capital assets	3,508,175	4,060,481
Loss on disposal of tangible capital assets	-	11,288
Donation of tangible capital assets	(787,308)	(260,325)
Actuarial adjustment on debt	(59,753)	(37,958)
Changes in non-cash operating assets and liabilities:		
Property taxes receivable	13,161	(43,906)
Accounts receivable	(957,451)	182,732
Other government receivables	13,751	(262,249)
Accounts payable and accrued liabilities	146,997	333,183
Refundable deposits	(87,777)	659,233
Deferred revenue	547,016	114,245
Employee future benefit obligations	(38,153)	15,239
Inventory of supplies	(62,837)	(55,418)
Prepaid expenses	36,098	(65,405)
	5,577,193	4,985,448
Capital activities:		
Acquisition of tangible capital assets	(3,075,199)	(1,435,702)
Investing activities:		
Purchase of investments	89,124	(9,953,688)
Financing activities:		
Debt repaid	(535,783)	(695,543)
	(535,783)	(695,543)
Increase (decrease) in cash and cash equivalents	2,055,335	(7,099,485)
Cash and cash equivalents, beginning of year	2,924,434	10,023,919
Cash and cash equivalents, end of year	\$ 4,979,769	\$ 2,924,434
Cash paid for interest	\$ (371,153)	\$ (374,463)
Cash received from interest	371,027	328,998

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2017

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

1. Significant accounting policies:

The financial statements of the District are prepared by management in accordance with Canadian generally accepted accounting principals for local governments as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the District are as follows:

(a) Reporting entity:

The financial statements reflect the assets, liabilities, revenues and expenses of the District's activities and funds. Inter-departmental balances and transactions have been eliminated. The District does not administer any trust activities on behalf of external parties. The District does not control any external entities and accordingly no entities have been consolidated into the financial statements.

(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 of a legal obligation to pay.

(c) Government transfers:

Government transfers without stipulations restricting their use are recognized in the financial statements as revenue in the period in which the transfers are authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Government transfers with stipulations restricting their use and that give rise to an obligation that meets the definition of a liability are recognized in the financial statements as revenues in the period in which the eligible expenditures are incurred, providing they are authorized and eligibility criteria are met.

(d) Property tax revenue:

Property tax revenue is recognized on the accrual basis using the approved tax rates and the anticipated assessment related to the current year.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(e) 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, thereby extinguishing the related liability. Work performed for third parties is recognized in the statement of operations as a revenue and expense.

(f) Cash equivalents:

Cash equivalents consist of investments in Municipal Finance Authority of British Columbia ("MFA") Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

(g) Investments:

Investments are recorded at cost plus earnings that are reinvested in the funds. Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(h) Deposits and prepayments:

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

(i) Employee future benefits:

The District and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Sick leave 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 obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(j) Debt:

Debt is recorded net of repayments and actuarial earnings. Debt is recorded in the related segment that uses the proceeds to fund capital expenditures.

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

Asset	Useful life - years
Land improvements	15 - 40
Buildings	25 - 40
Equipment and vehicles	3 - 25
Roads infrastructure	20 - 60
Drainage infrastructure	5 - 60
Sewer infrastructure	5 - 60
Water infrastructure	5 - 60

Amortization is charged annually, including in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use. Heritage buildings are not amortized as they have an indefinite service potential. 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 future economic benefits associated with the asset are less than book value of the asset.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(k) Non-financial assets (continued):

(iii) Interest capitalization:

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

(iv) Inventory of supplies:

Inventory of supplies held for consumption is recorded at the lower of cost and replacement cost.

(l) Liability for contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of 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 for the liability
- (iv) future economic benefits will be given up, and
- (v) a reasonable estimate of the liability can be made.

(m) 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 revenues and expenses during the period. Significant estimates include assumptions used in estimating useful lives of tangible capital assets and estimating provisions for accrued liabilities including employee future benefits. Actual results could differ from those estimates.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Cash and cash equivalents and investments:

	2017	2016
Bank deposits	\$ 4,812,209	\$ 1,362,123
Municipal Finance Authority - Money Market	36,876	1,434,127
Restricted cash - MFA cash deposit	130,684	128,184
	<u>\$ 4,979,769</u>	<u>\$ 2,924,434</u>
Investments	\$ 22,384,052	\$ 22,473,176

Investments consist of Municipal Finance Authority of British Columbia ("MFA") Intermediate and Bond Funds, guaranteed investment certificates and other fixed income securities which have costs that approximate market values. Included in investments is \$1,495,330 (2016 - \$1,432,420) that can only be used for expenditures as provided by the development cost charge reserve bylaw and the relevant sections of the Local Government Act, unless otherwise authorized by the Ministry of Community, Sport and Cultural Development, Province of British Columbia.

3. Accounts payable and accrued liabilities:

	2017	2016
Trade accounts payable	\$ 1,142,732	\$ 1,054,875
Other government agencies	333,472	209,730
Accrued salary, wages and employee benefits:		
Payroll	243,399	363,562
Vacation	174,483	138,879
Overtime	110,064	90,107
	<u>\$ 2,004,150</u>	<u>\$ 1,857,153</u>

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Deferred revenue:

	2017	2016
Parkland acquisition funds	\$ 256,881	\$ 253,286
Development cost charges	1,495,330	1,432,420
Restricted contractor donations	2,047,822	1,793,147
Prepaid taxes and other	1,846,380	1,620,544
Total deferred revenue	\$ 5,646,413	\$ 5,099,397

Schedule of Development Cost Charges

	2017	2016
Opening balance of unspent funds	\$ 1,432,420	\$ 1,396,814
Development cost charges received during year	42,160	21,567
Interest earned	20,750	14,039
	62,910	35,606
Less amount spent on projects and recorded as revenue	-	-
Closing balance of unspent funds	\$ 1,495,330	\$ 1,432,420

5. Debt:

- (a) The District issues debt instruments through the Municipal Finance Authority (MFA) pursuant to security issuing bylaws under authority of the Local Government Act, to finance certain capital expenses.

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 to such borrowings, the resulting deficiency becomes a liability of the District.

	Gross debt	Repayments and actuarial earnings	Net debt 2017	Net debt 2016
General Capital Fund	\$ 11,942,413	\$ 595,536	\$ 10,001,478	\$ 10,597,014

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Debt (continued):

(a) Continued:

As a condition of the borrowing through the MFA, the District is obligated to lodge security by means of demand notes and interest bearing cash deposits based on the amount of the borrowing. The deposits are included in the District's financial statements as restricted cash. If the debt is repaid without default, the deposits are refunded to the District. The notes, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default and are not recorded in the financial statements. Upon the maturity of a debt issue the demand notes are released and deposits refunded to the District. As at December 31, 2017, there were contingent demand notes of \$327,293 (2016 - \$327,293) which are not included in the financial statements of the District.

(b) Principal payments on debt for the next five years are as follows:

2018	\$	535,783
2019		535,783
2020		335,363
2021		335,363
2022		335,363

(c) Interest expense on long-term debt during the year was \$357,651 (2016 - \$357,651). Interest rates on long-term debt range from 2.75% to 4.5% per annum.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH
Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Employee future benefit obligations:

The District provides sick leave and certain other benefits to its employees.

	2017	2016
Employee benefit obligations:		
Accumulated sick leave	\$ 379,700	\$ 408,100
Retirement benefits	631,700	639,300
Other accrued benefits	6,287	8,440
	\$ 1,017,687	\$ 1,055,840

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

Retirement benefits represent the District's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments, death benefits and certain vacation entitlements in the year of retirement for qualified employees.

The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation as at December 31, 2017.

Information about liabilities for employee future benefit plans is as follows:

	2017	2016
Accrued future benefit obligation:		
Balance, beginning of year	\$ 1,047,400	\$ 1,023,800
Current service cost	108,000	105,500
Interest cost	40,400	36,900
Benefits payments	(192,900)	(148,000)
Amortization of actuarial gain	8,500	15,700
Immediate recognition of past service costs	-	13,500
Balance, end of year	\$ 1,011,400	\$ 1,047,400

The difference between the actuarially determined accrued future benefit obligation as at December 31, 2017 of \$1,231,700 and the accrued benefit liability of \$1,011,400 is an actuarial gain of \$220,300. This actuarial gain will be amortized over a period equal to the employees' average remaining service lifetime of 10 years.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Employee future benefit obligations (continued):

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

	2017	2016
Discount rates	2.90%	3.30%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2.59% to 4.50%	2.58% to 4.63%

Municipal Pension Plan

The District 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 are based on a formula. As at December 31, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

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

The District paid \$1,110,019 (2016 - \$1,057,387) for employer contributions while employees contributed \$825,269 (\$2016 - \$771,254) to the plan in fiscal 2017.

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

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

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Tangible capital assets:

2017	Land	Land improvements	Buildings	Equipment and vehicles	Roads infrastructure	Drainage infrastructure	Sewer infrastructure	Water infrastructure	Assets under construction	Total
Cost:										
Balance, beginning of year	\$ 30,721,615	\$ 7,923,136	\$ 16,975,037	\$ 11,954,842	\$ 55,065,079	\$ 15,444,215	\$ 14,594,800	\$ 15,703,823	\$ 165,075	\$ 168,547,622
Additions	-	-	-	509,805	1,023,370	313,027	125,750	346,342	1,587,261	3,905,555
Disposals/transfers	-	-	-	(110,082)	-	-	-	-	(43,048)	(153,130)
Balance, end of year	30,721,615	7,923,136	16,975,037	12,354,565	56,088,449	15,757,242	14,720,550	16,050,165	1,709,288	172,300,047
Accumulated amortization:										
Balance, beginning of year	-	3,763,536	5,016,911	8,219,976	40,441,682	9,222,482	7,226,872	6,493,636	-	80,385,095
Disposals	-	-	-	(110,082)	-	-	-	-	-	(110,082)
Amortization	-	137,311	405,526	349,074	1,958,329	211,055	218,708	228,172	-	3,508,175
Balance, end of year	-	3,900,847	5,422,437	8,458,968	42,400,011	9,433,537	7,445,580	6,721,808	-	83,783,188
Net book value,										
end of year	\$ 30,721,615	\$ 4,022,289	\$ 11,552,600	\$ 3,895,597	\$ 13,688,438	\$ 6,323,705	\$ 7,274,970	\$ 9,328,357	\$ 1,709,288	\$ 88,516,859

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Tangible capital assets (continued):

2016	Land	Land improvements	Land	Buildings	Equipment and vehicles	Roads infrastructure	Drainage infrastructure	Sewer infrastructure	Water infrastructure	Assets under construction	Total
Cost:											
Balance, beginning of year	\$ 30,689,824	\$ 7,885,136	\$ 16,887,403	\$ 11,257,060	\$ 54,777,761	\$ 15,362,049	\$ 14,479,168	\$ 15,324,575	\$ 214,404	\$ 166,877,380	
Additions	35,000	38,000	87,634	697,782	287,318	82,166	115,632	401,824	119,565	1,864,921	
Disposals/transfers	(3,209)	-	-	-	-	-	-	(22,576)	(168,894)	(194,679)	
Balance, end of year	30,721,615	7,923,136	16,975,037	11,954,842	55,065,079	15,444,215	14,594,800	15,703,823	165,075	168,547,622	
Accumulated amortization:											
Balance, beginning of year	-	3,637,373	4,617,286	7,652,719	38,123,751	9,012,907	7,006,876	6,288,199	-	76,339,111	
Disposals	-	-	-	-	-	-	-	(14,497)	-	(14,497)	
Amortization	-	126,163	399,625	567,257	2,317,931	209,575	219,996	219,934	-	4,060,481	
Balance, end of year	-	3,763,536	5,016,911	8,219,976	40,441,682	9,222,482	7,226,872	6,493,636	-	80,385,095	
Net book value,											
end of year	\$ 30,721,615	\$ 4,159,600	\$ 11,958,126	\$ 3,734,866	\$ 14,623,397	\$ 6,221,733	\$ 7,367,928	\$ 9,210,187	\$ 165,075	\$ 88,162,527	

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction totaling \$1,709,288 (2016 - \$165,075) are not being amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

During the year there were contributed assets of \$787,308 (2016 - \$260,325) recognized, which represents their fair market value at the date of contribution.

(c) Works of art and historical treasures:

The District manages and controls various works of art and non-operational historical cultural assets including artifacts, paintings and sculptures located at District sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(d) Write-down of tangible capital assets:

Included in disposals are write-downs of \$nil (2016 - \$22,576).

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Accumulated surplus:

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

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 78,515,381	\$ 77,565,513
General	7,840,645	7,374,930
Total surplus	86,356,026	84,940,443
Reserve funds set aside for specific purposes by Council:		
Public works equipment	397,423	381,189
Fire department equipment	693,563	642,753
Local service area	177,655	155,491
Capital expenditures	2,350,563	2,157,383
Total	3,619,204	3,336,816
Reserves set aside for specific purposes by Council:		
General	6,611,389	5,464,570
Water utility	2,157,307	1,894,143
Sewer enterprise	1,700,721	1,503,399
Total	10,469,417	8,862,112
	\$100,444,645	\$ 97,139,371

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Municipal property taxes:

Municipal property tax revenue, reported on the statement of operations, is comprised of the following:

	2017	2016
General taxation:		
Property and business taxes	\$ 30,925,918	\$ 30,611,683
Less taxes levied for other authorities:		
Provincial Government - school taxes	8,050,072	8,331,593
Capital Regional District	4,459,316	4,371,999
Capital Regional Hospital District	1,327,580	1,316,568
BC Transit Authority	1,326,599	1,407,032
BC Assessment Authority	239,957	257,275
Municipal Finance Authority	1,032	909
	<u>15,404,556</u>	<u>15,685,376</u>
	<u>\$ 15,521,362</u>	<u>\$ 14,926,307</u>

10. Government transfers:

The District recognizes the transfer of government funding as revenue when received and all related eligibility criteria and stipulations have been satisfied. The government transfers reported on the statement of operations are:

	2017	2016
Provincial government:		
Small communities and equalization payments	\$ 424,301	\$ 412,959
Infrastructure grants	763,357	5,893
Other	53,266	40,224
	<u>1,240,924</u>	<u>459,076</u>
Federal government:		
Gas Tax Agreement funds	734,097	724,754
	<u>\$ 1,975,021</u>	<u>\$ 1,183,830</u>

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

11. Commitments and contingencies:

- (a) The 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 District.
- (b) The District is a shareholder and member of the Capital Region Emergency Service Telecommunications (CREST) Incorporated which provides centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.
- (c) In the normal course of a year, claims for damages are made against the District. 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 for general liability claims through membership in the Municipal Insurance Association of British Columbia, a reciprocal insurance exchange. Under this program, member municipalities are to share jointly for such claims in excess of individual deductibles ranging from \$5,000 to \$50,000 against any member. The District's deductible is \$10,000.
- (d) The District has identified a property that will be remediated in the future. A liability for estimated costs of \$130,000 has been recognized, as the District has committed to remediation and future economic benefits are expected to be given up.

12. Financial plan:

The financial plan presented in these financial statements is based upon the 2017 operating and capital budgets approved by Council on April 18, 2017.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

13. Segmented information:

The District is a diversified municipal organization that provides a wide range of services to its citizens. Certain segments that have different governance and responsibility have been separately disclosed in the segmented information, along with the services they provide, which are as follows:

General Government:

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

Municipal services:

Municipal services include services provided to the residents of Central Saanich including police services, fire protection, building inspection, bylaw enforcement, development services and parks. These services are the direct responsibility of Council.

Water utility:

The water utility installs and maintains the water mains and pump stations and oversees the distribution of water purchased from the Capital Regional District.

Sewer enterprise:

The sewer enterprise installs and maintains the sewer mains and pump stations of the District.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

13. Segmented information (continued):

Certain allocation methodologies have been employed in the preparation of the segmented financial information. The taxation revenues are allocated to the functions based on budgeted expenditures for 2017. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

2017	General government	Municipal services	Water utility	Sewer enterprise	Total
Revenue:					
Taxation	\$ 4,102,933	\$ 11,730,936	\$ -	\$ -	\$ 15,833,869
Non-taxation	38,165	5,278,203	5,074,001	1,455,327	11,845,696
Total revenue	4,141,098	17,009,139	5,074,001	1,455,327	27,679,565
Expenses:					
Salaries, wages and benefits	1,522,473	9,490,110	521,845	442,575	11,977,003
Materials and supplies	27,628	642,082	3,317,015	60,189	4,046,914
Services	778,129	2,735,243	394,998	362,948	4,271,318
Other	141,437	429,444	-	-	570,881
Amortization	-	3,061,295	228,172	218,708	3,508,175
Total expenses	2,469,667	16,358,174	4,462,030	1,084,420	24,374,291
Annual surplus (deficit)	\$ 1,671,431	\$ 650,965	\$ 611,971	\$ 370,907	\$ 3,305,274
2016	General government	Municipal services	Water utility	Sewer enterprise	Total
Revenue:					
Taxation	\$ 3,028,632	\$ 12,219,333	\$ -	\$ -	\$ 15,247,965
Non-taxation	290,993	3,923,906	4,689,000	1,245,162	10,149,061
Total revenue	3,319,625	16,143,239	4,689,000	1,245,162	25,397,026
Expenses:					
Salaries, wages and benefits	1,329,889	8,957,266	548,933	450,957	11,287,045
Materials and supplies	30,797	571,790	3,433,254	52,983	4,088,824
Services	1,685,764	3,338,972	68,015	131,619	5,224,370
Other	-	390,710	-	-	390,710
Amortization	-	3,623,760	228,013	219,996	4,071,769
Total expenses	3,046,450	16,882,498	4,278,215	855,555	25,062,718
Annual surplus (deficit)	\$ 273,175	\$ (739,259)	\$ 410,785	\$ 389,607	\$ 334,308

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2017

14. Subsequent event:

During March 2018, Council approved an agreement with the Capital Region District (CRD) to transfer the ownership of a sewer pipe and the associated maintenance capital reserve funds to the District. The net book value of the asset is expected to be nominal, however a cash transfer of \$1.4 million will be due to Central Saanich.

As conditions relating to this transaction did not exist as at December 31, 2017, no adjustment has been made to the financial statements.

