

Financial Statements of

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

Year ended December 31, 2014

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Financial Statements

Year ended December 31, 2014

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.



Chief Administrative Officer



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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, 2014, 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, 2014, 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.

Chartered Accountants

May 11, 2015
Victoria, Canada

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash and cash equivalents (note 2)	\$ 12,046,325	\$ 9,051,744
Investments (note 2)	5,560,725	5,416,766
Property taxes receivable	705,802	501,254
Accounts receivable	2,687,801	3,103,635
Other government receivables	128,411	228,235
	<u>21,129,064</u>	<u>18,301,634</u>
Financial liabilities:		
Accounts payable and accrued liabilities (note 3)	1,408,866	1,629,398
Refundable deposits	1,500,545	703,326
Deferred revenue (note 4)	4,850,334	5,856,092
Debt (note 5)	8,818,458	9,020,877
Employee future benefit obligations (note 6)	1,093,200	1,000,800
	<u>17,671,403</u>	<u>18,210,493</u>
Net financial assets	3,457,661	91,141
Non-financial assets:		
Tangible capital assets (note 7)	91,958,327	95,494,828
Inventory of supplies	501,538	435,993
Prepaid expenses	51,503	51,079
	<u>92,511,368</u>	<u>95,981,900</u>
Accumulated surplus (note 8)	\$ 95,969,029	\$ 96,073,041

Commitments and contingencies (note 11)

The accompanying notes are an integral part of these financial statements

On behalf of the District:



Chief Administrative Officer

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Statement of Operations and Accumulated Surplus

Year ended December 31, 2014, with comparative information for 2013

	Financial plan (note 12)	2014	2013
Revenue:			
Municipal property taxes (note 9)	\$ 13,623,723	\$ 13,639,656	\$ 13,155,688
Grants in lieu of taxes	319,783	317,564	315,773
Sale of services	957,352	1,098,439	3,207,699
Permits, licenses and interest	747,600	815,152	726,614
Government transfers (note 10)	808,098	2,432,095	972,684
Water utility	4,061,800	4,404,804	4,120,873
Sewer enterprise	2,765,357	2,228,036	3,081,369
Contributions and donations	3,000	209,929	226,408
Total revenue	23,286,713	25,145,675	25,807,108
Expenses:			
General government	2,126,053	2,985,635	3,085,857
Protective services	6,500,809	7,282,265	6,923,283
Transportation services	3,309,107	5,598,165	5,629,287
Environmental development services	417,724	345,481	299,053
Parks and cultural services	3,137,549	2,596,211	2,518,000
Water utility	3,562,896	3,644,920	3,509,477
Sewer enterprise	2,380,556	2,569,051	2,996,146
Other fiscal services	359,000	227,959	217,633
Total expenses	21,793,694	25,249,687	25,178,736
Annual surplus (deficit)	1,493,019	(104,012)	628,372
Accumulated surplus, beginning of year	96,073,041	96,073,041	95,444,669
Accumulated surplus, end of year	\$ 97,566,060	\$ 95,969,029	\$ 96,073,041

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, 2014, with comparative information for 2013

	Financial plan (note 12)	2014	2013
Annual surplus (deficit)	\$ 1,493,019	\$ (104,012)	\$ 628,372
Acquisition of tangible capital assets	(701,000)	(720,419)	(5,875,721)
Developer contributions of tangible capital assets	-	(133,600)	(103,878)
Amortization of tangible capital assets	-	4,337,379	4,243,507
Loss (gain) on disposal of tangible capital assets	-	53,141	(1,695,437)
Proceeds on sale of tangible capital assets	-	-	1,850,000
	(701,000)	3,536,501	(1,581,529)
Acquisition of inventory of supplies	-	(65,545)	16,620
Use of prepaid expenses	-	(424)	232,791
	-	(65,969)	249,411
Change in net financial assets	792,019	3,366,520	(703,746)
Net financial assets, beginning of year	91,141	91,141	794,887
Net financial assets, end of year	\$ 883,160	\$ 3,457,661	\$ 91,141

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, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (104,012)	\$ 628,372
Items not involving cash:		
Amortization of tangible capital assets	4,337,379	4,243,507
Gain (loss) on disposal of tangible capital assets	53,141	(1,695,437)
Developer contributions of tangible capital assets	(133,600)	(103,878)
Actuarial adjustment on debt	(11,669)	(6,739)
Change in non-cash operating assets and liabilities:		
Property taxes receivable	(204,548)	84,245
Accounts receivable	415,834	(37,917)
Other government receivables	99,824	169,566
Accounts payable and accrued liabilities	(220,532)	(960,914)
Refundable deposits	797,219	(321,785)
Deferred revenue	(1,005,758)	422,651
Employee future benefit obligations	92,400	72,400
Inventory of supplies	(65,545)	16,620
Prepaid expenses	(424)	232,791
	<u>4,049,709</u>	<u>2,743,482</u>
Capital activities:		
Acquisition of tangible capital assets	(720,419)	(5,875,721)
Proceeds on sale of tangible capital assets	-	1,850,000
	<u>(720,419)</u>	<u>(4,025,721)</u>
Investing activities:		
Purchase of investments	(143,959)	(1,107,701)
Financing activities:		
Proceeds from issuance of long-term debt	1,085,540	3,004,958
Debt repaid	(1,276,290)	(276,289)
	<u>(190,750)</u>	<u>2,728,669</u>
Increase in cash and cash equivalents	2,994,581	338,729
Cash and cash equivalents, beginning of year	9,051,744	8,713,015
Cash and cash equivalents, end of year	<u>\$ 12,046,325</u>	<u>\$ 9,051,744</u>
Supplemental cash flow information:		
Cash paid for interest	\$ (234,095)	\$ (101,000)
Cash received from interest	105,222	249,738
	<u>\$ (128,873)</u>	<u>\$ 148,738</u>

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, 2014

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 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, 2014

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.

(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 reposted 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, 2014

1. Significant accounting policies (continued):

(j) Debt:

Debt is recorded net of repayments and actuarial earnings.

(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
Road infrastructure	20 - 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. 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.

(iii) 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.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(k) Non-financial assets (continued):

(iv) Interest capitalization

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

(v) Inventory of supplies

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

(l) Use of estimates:

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

2. Cash and cash equivalents and investments:

	2014	2013
Bank deposits	\$ 1,402,920	\$ 1,916,591
Municipal Finance Authority - Money Market	10,605,460	7,108,899
Restricted cash - MFA cash deposit	37,945	26,254
	<u>\$ 12,046,325</u>	<u>\$ 9,051,744</u>
	2014	2013
Investments	<u>\$ 5,560,725</u>	<u>\$ 5,416,766</u>

Investments consist of Municipal Finance Authority of British Columbia ("MFA") Intermediate Funds, guaranteed investment certificates and other fixed income securities which have costs that approximate market values. Included in investments is \$1,353,333 (2013 - \$1,281,056) 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.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

3. Accounts payable and accrued liabilities:

	2014	2013
Trade accounts payable	\$ 407,433	\$ 757,413
Other government agencies	338,324	265,184
Allowance for assessment appeals	-	19,040
Accrued salary, wages and employee benefits:		
Payroll	344,298	295,931
Vacation	221,892	194,004
Overtime	96,919	97,826
	\$ 1,408,866	\$ 1,629,398

4. Deferred revenue:

	Opening balance	Contributions	Interest earned	Revenue recognized in the year	Closing balance
Federal Gas Tax funds	\$ 1,331,471	\$ 701,143	\$ 15,289	\$ (2,047,903)	\$ -
Parkland acquisition funds	244,974	-	8,070	(5,241)	247,803
Development cost charges	1,281,056	57,764	20,161	(5,648)	1,353,333
Restricted contractor contributions	1,559,839	65,956	-	-	1,625,795
Prepaid taxes and other	1,438,752	1,560,069	-	(1,375,418)	1,623,403
	\$ 5,856,092	\$ 2,384,932	\$ 43,520	\$ (3,434,210)	\$ 4,850,334

The District receives Gas Tax funds from the Federal Government through an agreement with the Union of BC Municipalities. Effective April 1, 2014 the agreement was revised for all new funding and for amounts unspent from prior periods. The new agreement broadened the scope of eligible expenditures for these funds and eliminated certain potential repayment criteria. These changes have resulted in a change in the accounting from the previous policy which was to defer such funds until eligible expenditures were incurred to recognize all amounts into revenue when received, including recognizing as revenue all amounts previously deferred. The Federal Gas Tax funds reserve in accumulated surplus holds funds received but not yet spent on eligible projects.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

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 2014	Net debt 2013
General Capital Fund	\$ 9,238,393	\$ 419,935	\$ 8,818,458	\$ 9,020,877

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, 2014, there were contingent demand notes of \$185,913 (2013 - \$85,431) which are not included in the financial statements of the District.

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

2015	\$ 572,709
2016	690,312
2017	530,552
2018	530,552
2019	530,552

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

5. Debt (continued):

(c) Included in debt is interim financing of \$5,500,000 (2013 - \$6,500,000) expected to be repaid from proceeds of future long-term debt financing. Also included is \$319,520 (2013 - \$479,280) of financing scheduled to be repaid by 2016.

(d) Interest expense on long-term debt during the year was \$234,096 (2013 - \$226,680). Interest rates on long-term debt range from 3.7% to 4.5%.

6. Employee future benefit obligations:

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

	2014	2013
Employee benefit obligations:		
Accumulated sick leave	\$ 427,900	\$ 407,300
Retirement benefits	665,300	593,500
	<u>\$ 1,093,200</u>	<u>\$ 1,000,800</u>

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, 2013 for which results have been extrapolated to December 31, 2014.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

6. Employee future benefit obligations (continued):

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

	2014	2013
Accrued future benefit obligation:		
Balance, beginning of year	\$ 1,000,800	\$ 928,400
Current service cost	92,800	92,100
Interest cost	40,900	34,300
Benefits payments	(42,900)	(112,500)
Amortization of actuarial gain	1,600	5,200
Immediate recognition of past service costs	-	53,300
Balance, end of year	\$ 1,093,200	\$ 1,000,800

The difference between the actuarially determined accrued future benefit obligation as at December 31, 2014 of \$1,129,900 and the accrued benefit liability of \$1,093,200 is an actuarial gain of \$36,700. This actuarial gain will be amortized over a period equal to the employees' average remaining service lifetime of 10 years.

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

	2014	2013
Discount rates	3.00%	3.80%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2.58 to 4.63%	2.58 to 4.63%

Municipal Pension Plan

The District and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local government.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

6. Employee future benefit obligations (continued):

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers. The next valuation will be as at December 31, 2015, with results available later in 2016.

The District paid \$1,048,861 (2013 - \$971,555) for employer contributions while employees contributed \$728,098 (2013 - \$680,569) to the plan in fiscal 2014.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

7. Tangible capital assets:

2014	Land	Land improvements	Buildings	Equipment and vehicles	Roads infrastructure	Sewer infrastructure	Water infrastructure	Assets under construction	Total
Balance, beginning of year	\$ 29,035,945	\$ 7,401,014	\$ 16,759,018	\$ 10,854,849	\$ 54,439,111	\$ 29,485,663	\$ 15,001,854	\$ 406,986	\$163,384,440
Additions	-	399,824	83,548	207,383	-	269,558	130,797	246,278	1,337,388
Disposals	-	(26,724)	-	(88,824)	-	(71,879)	(11,030)	(483,369)	(681,826)
Balance, end of year	29,035,945	7,774,114	16,842,566	10,973,408	54,439,111	29,683,342	15,121,621	169,895	164,040,002

Accumulated amortization:

Balance, beginning of year	-	3,415,376	3,819,923	6,421,360	33,210,377	15,160,798	5,861,778	-	67,889,612
Disposals	-	(24,385)	-	(88,824)	-	(23,583)	(8,524)	-	(145,316)
Amortization	-	120,628	398,803	696,052	2,455,971	449,172	216,753	-	4,337,379
Balance, end of year	-	3,511,619	4,218,726	7,028,588	35,666,348	15,586,387	6,070,007	-	72,081,675

Net book value,

end of year	\$ 29,035,945	\$ 4,262,495	\$ 12,623,840	\$ 3,944,820	\$ 18,772,763	\$ 14,096,955	\$ 9,051,614	\$ 169,895	\$ 91,958,327
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THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

7. Tangible capital assets (continued):

2013	Land improvements	Land	Buildings	Equipment and vehicles	Roads infrastructure	Sewer infrastructure	Water infrastructure	Assets under construction	Total
Cost:									
Balance, beginning of year	\$ 29,170,945	\$ 7,345,776	\$ 8,085,702	\$ 10,603,538	\$ 54,439,111	\$ 29,316,912	\$ 14,773,819	\$ 3,973,075	\$157,708,878
Additions	-	76,610	8,673,316	370,643	-	185,562	239,557	370,140	9,915,828
Disposals	(135,000)	(21,372)	-	(119,332)	-	(16,811)	(11,522)	(3,936,229)	(4,240,266)
Balance, end of year	29,035,945	7,401,014	16,759,018	10,854,849	54,439,111	29,485,663	15,001,854	406,986	163,384,440
Accumulated amortization:									
Balance, beginning of year	-	3,296,487	3,585,257	5,863,136	30,687,342	14,720,232	5,643,125	-	63,795,579
Disposals	-	(11,339)	-	(119,332)	-	(9,890)	(8,913)	-	(149,474)
Amortization	-	130,228	234,666	677,556	2,523,035	450,456	227,566	-	4,243,507
Balance, end of year	-	3,415,376	3,819,923	6,421,360	33,210,377	15,160,798	5,861,778	-	67,889,612
Net book value, end of year	\$ 29,035,945	\$ 3,985,638	\$ 12,939,095	\$ 4,433,489	\$ 21,228,734	\$ 14,324,865	\$ 9,140,076	\$ 406,986	\$ 95,494,828

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

7. Tangible capital assets (continued):

(a) Assets under construction

Assets under construction totaling \$169,895 (2013 - \$406,986) 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 \$133,600 (2013 - \$103,878) 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 buildings, 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

No write-down of tangible capital assets occurred during 2014 or 2013.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

8. Accumulated surplus:

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

	2014	2013
Surplus:		
Invested in tangible capital assets	\$ 83,139,869	\$ 86,473,951
General	3,316,459	3,200,184
Reserve funds	9,512,701	6,398,906
	\$ 95,969,029	\$ 96,073,041

9. Municipal property taxes:

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

	2014	2013
General taxation:		
Property and business taxes	\$ 28,089,104	\$ 27,346,412
Less taxes levied for other authorities:		
Provincial Government - school taxes	8,655,409	8,564,664
Capital Regional District	2,763,496	2,716,368
Capital Regional Hospital District	1,340,827	1,301,253
BC Transit Authority	1,412,094	1,329,020
BC Assessment Authority	276,756	278,546
Municipal Finance Authority	866	873
	14,449,448	14,190,724
	\$ 13,639,656	\$ 13,155,688

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

10. Government grants:

The District recognizes the transfer of government funding as revenues in the period that the events giving rise to the transfer occurred. The government transfers reported on the statement of operations are:

	2014	2013
Provincial government:		
Small communities and equalization payments	\$ 298,580	\$ 298,876
Infrastructure grants	470	222,937
Community recreation	-	296,818
Other	85,142	74,978
	384,192	893,609
Federal government:		
Gas Tax Agreement funds	2,047,903	79,075
	\$ 2,432,095	\$ 972,684

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.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

12. Financial plan:

The financial plan presented in these financial statements is based upon the 2014 operating and capital budgets approved by Council on April 7, 2014. Amortization was not contemplated on development of the financial plan and, as such, has not been included. The chart below reconciles the approved financial plan to the financial plan figures reported in these financial statements.

	Financial plan amount
Revenues:	
Financial plan	\$ 24,703,278
Less:	
Transfers from own funds	(1,416,565)
Total revenue	23,286,713
Expenses:	
Financial plan	24,703,278
Less:	
Capital expenses	(701,000)
Transfer to own funds	(1,780,884)
Debt principal payments	(427,700)
Total expenses	21,793,694
Annual surplus	\$ 1,493,019

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

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.

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 2014. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements (continued)

Year ended December 31, 2014

13. Segmented information (continued):

2014	General government	Municipal services	Water utility	Sewer enterprise	Total
Revenue:					
Taxation	\$ 2,821,542	\$ 11,135,678	\$ -	\$ -	\$ 13,957,220
Non-taxation	-	4,555,615	4,404,804	2,228,036	11,188,455
Total revenue	2,821,542	15,691,293	4,404,804	2,228,036	25,145,675
Expenses:					
Salaries, wages and benefits	1,453,887	8,652,348	456,004	395,074	10,957,313
Materials and supplies	27,424	593,285	2,853,229	52,591	3,526,529
Services	1,297,689	3,121,802	141,101	1,642,755	6,203,347
Other	-	225,119	-	-	225,119
Amortization	206,635	3,457,527	194,586	478,631	4,337,379
Total expenses	2,985,635	16,050,081	3,644,920	2,569,051	25,249,687
Annual surplus	\$ (164,093)	\$ (358,788)	\$ 759,884	\$ (341,015)	\$ (104,012)
2013	General government	Municipal services	Water utility	Sewer enterprise	Total
Revenue:					
Taxation	\$ 2,728,327	\$ 10,743,134	\$ -	\$ -	\$ 13,471,461
Non-taxation	-	5,133,405	4,120,873	3,081,369	12,335,647
Total revenue	2,728,327	15,876,539	4,120,873	3,081,369	25,807,108
Expenses:					
Salaries, wages and benefits	1,367,209	8,273,725	526,397	379,536	10,546,867
Materials and supplies	262,142	557,850	2,723,863	65,724	3,609,579
Services	1,242,948	3,157,794	61,500	2,064,552	6,526,794
Other	-	251,989	-	-	251,989
Amortization	209,558	3,349,898	197,717	486,334	4,243,507
Total expenses	3,081,857	15,591,256	3,509,477	2,996,146	25,178,736
Annual surplus (deficit)	\$ (353,530)	\$ 285,283	\$ 611,396	\$ 85,223	\$ 628,372