

Financial Statements of

**THE CORPORATION OF THE  
DISTRICT OF OAK BAY**

Year ended December 31, 2016

# **THE CORPORATION OF THE DISTRICT OF OAK BAY**

## **Financial Statements**

Year ended December 31, 2016

### **Financial Statements**

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

The accompanying financial statements of The Corporation of the District of Oak Bay (the "District") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with public sector accounting principles established by 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*

  
\_\_\_\_\_  
*Director of Financial Services*



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## INDEPENDENT AUDITORS' REPORT

*To the Mayor and Councillors of The Corporation of the District of Oak Bay*

We have audited the accompanying financial statements of The Corporation of the District of Oak Bay which comprise the statement of financial position as at December 31, 2016, 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, these financial statements present fairly, in all material respects, the financial position of The Corporation of the District of Oak Bay as at December 31, 2016, and its results of operations, its change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

May 8, 2017  
Victoria, Canada

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 1,735,114	\$ 1,272,807
Investments (note 2)	39,287,256	37,762,015
Taxes receivable	436,704	550,548
Other accounts receivable	1,614,741	1,785,301
	<u>43,073,815</u>	<u>41,370,671</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	2,386,097	2,956,636
Deposits	2,326,500	1,184,182
Prepaid property taxes	1,654,946	1,526,561
Deferred revenue (note 3)	7,522,487	6,702,043
Employee future benefit obligations (note 4)	1,715,200	1,747,300
Long-term debt (note 5)	2,523,810	2,786,480
	<u>18,129,040</u>	<u>16,903,202</u>
<b>Net financial assets</b>	24,944,775	24,467,469
<b>Non-financial assets:</b>		
Tangible capital assets (note 6)	56,718,164	53,410,226
Inventory of supplies	510,263	500,704
Prepaid expenses	512,324	476,923
	<u>57,740,751</u>	<u>54,387,853</u>
<b>Accumulated surplus (note 7)</b>	<u>\$ 82,685,526</u>	<u>\$ 78,855,322</u>

Commitments and contingent liabilities (note 9)

See accompanying notes to financial statements.



Director of Financial Services

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Statement of Operations and Accumulated Surplus

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

	Financial plan (note 11)	2016	2015
<b>Revenue:</b>			
Taxation, net (note 8)	\$ 22,973,768	\$ 23,003,542	\$ 22,340,209
Sales and services	7,661,008	8,054,255	7,699,012
Other revenues	1,070,319	1,506,140	1,957,467
Government transfers	560,974	604,210	622,140
Investment income	152,000	418,239	442,099
Sales of water and sewer charges	5,809,295	6,093,460	5,646,225
<b>Total revenue</b>	<b>38,227,364</b>	<b>39,679,846</b>	<b>38,707,152</b>
<b>Expenses:</b>			
General government	4,228,196	4,156,665	4,768,920
Protective services	9,572,632	9,533,025	9,041,843
Transportation services	2,964,591	3,065,913	3,286,170
Environmental health services	1,251,576	1,406,143	1,236,897
Recreation services	11,904,146	12,217,448	11,760,796
Water utilities	2,944,266	3,298,913	3,037,176
Sewer collection system	2,090,168	2,171,535	2,041,262
<b>Total expenses</b>	<b>34,955,575</b>	<b>35,849,642</b>	<b>35,173,064</b>
Annual surplus	3,271,789	3,830,204	3,534,088
Accumulated surplus, beginning of year	78,855,322	78,855,322	75,321,234
<b>Accumulated surplus, end of year</b>	<b>\$ 82,127,111</b>	<b>\$ 82,685,526</b>	<b>\$ 78,855,322</b>

See accompanying notes to financial statements.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Statement of Change in Net Financial Assets

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

	Financial plan (note 11)	2016	2015
Annual surplus	\$ 3,271,789	\$ 3,830,204	\$ 3,534,088
Acquisition of tangible capital assets	(8,896,671)	(5,193,003)	(3,346,169)
Amortization of tangible capital assets	-	1,745,979	1,874,170
Loss on disposal of tangible capital assets	-	88,586	8,123
Proceeds on disposal of tangible capital assets	-	50,500	14,400
	(8,896,671)	(3,307,938)	(1,449,476)
Acquisition (use) of inventory of supplies	-	(9,559)	71,025
Use of prepaid expenses	-	(35,401)	(11,208)
	-	(44,960)	59,817
Change in net financial assets	(5,624,882)	477,306	2,144,429
Net financial assets, beginning of year	24,467,469	24,467,469	22,323,040
Net financial assets, end of year	\$ 18,842,587	\$ 24,944,775	\$ 24,467,469

See accompanying notes to financial statements.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Statement of Cash Flows

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

	2016	2015
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus	\$ 3,830,204	\$ 3,534,088
Items not involving cash:		
Amortization of tangible capital assets	1,745,979	1,874,170
Loss on disposal of tangible capital assets	88,586	8,123
Changes in non-cash operating assets and liabilities:		
Taxes receivable	113,844	648,329
Other accounts receivable	170,560	(386,220)
Accounts payable and accrued liabilities	(570,539)	158,464
Deposits	1,142,318	(59,501)
Prepaid property taxes	128,385	89,721
Deferred revenue	820,444	934,777
Employee future benefit obligations	(32,100)	92,400
Inventory of supplies	(9,559)	71,025
Prepaid expenses	(35,401)	(11,208)
	7,392,721	6,954,168
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(5,193,003)	(3,346,169)
Proceeds on disposal of tangible capital assets	50,500	14,400
	(5,142,503)	(3,331,769)
<b>Investing activities:</b>		
Investments	(1,525,241)	(2,745,579)
<b>Financing activities:</b>		
Long-term debt issued	142,792	100,781
Long-term debt repaid	(405,462)	(376,564)
	(262,670)	(275,783)
Increase in cash	462,307	601,037
Cash, beginning of year	1,272,807	671,770
Cash, end of year	\$ 1,735,114	\$ 1,272,807

See accompanying notes to financial statements.



# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Notes to Financial Statements

Year ended December 31, 2016

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The Corporation of the District of Oak Bay (the "District") was incorporated on July 2, 1906 under the Municipal Act, a statute of the Province of British Columbia. Its principal activities are the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water, sewer and fiscal services.

### 1. Significant accounting policies:

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

#### (a) Reporting entity:

The financial statements include a combination of all the assets, liabilities, accumulated surplus, revenues and expenses of all of the District's activities and funds. Inter-departmental balances and organizational transactions have been eliminated.

#### (i) Consolidated entities

The District does not control any significant external entities and accordingly no entities have been consolidated with the financial statements.

#### (ii) Funds held in trust

The financial statements exclude trust assets that are administered for the benefit of external parties (note 10).

#### (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) Cash and cash equivalents:

Cash and cash equivalents are defined as cash on hand, demand deposits, and short-term highly liquid investments with a maturity date of less than 3 months at acquisition that are readily converted to known amounts of cash and which are subject to an insignificant risk of change in value.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (d) Investments:

Investments are recorded at cost. Investments in the Municipal Finance Authority of British Columbia ("MFA") Bond, Intermediate and Money Market Funds are recorded at cost plus earnings reinvested in the funds.

### (e) 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. Transfers received for which expenses are not yet incurred are included in deferred revenue.

### (f) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

### (g) Property tax revenue:

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

### (h) Investment income:

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.

### (i) Long-term debt:

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

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (j) 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.

### (k) Non-financial capital 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 cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Land improvements	15 - 50
Building and building improvements	25 - 100
Machinery and equipment	3 - 30
IT equipment	5 - 8
Vehicles	10 - 20
Roads and drainage	25 - 100

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.

### (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 OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 1. Significant accounting policies (continued):

### (k) Non-financial capital assets (continued):

#### (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.

#### (iv) Interest capitalization:

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

#### (v) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

#### (vi) Inventories of supplies:

Inventories of supplies held for consumption are 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.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 1. Significant accounting policies (continued):

### (m) Use of estimates:

The preparation of financial statements in conformity with public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

## 2. Investments:

	2016	2015
MFA Money Market Fund	\$ 29,423,730	\$ 28,007,707
MFA Bond Fund	224,111	220,932
MFA Intermediate Fund	9,639,415	9,533,376
	<u>\$ 39,287,256</u>	<u>\$ 37,762,015</u>

The fair value of the Funds approximates the recorded value.

## 3. Deferred revenue:

Deferred revenue, reported on the statement of financial position, is made up of the following:

	2016	2015
Gas Tax Agreement Funds balance	\$ 5,957,207	\$ 5,102,639
Unearned revenues	1,565,280	1,599,404
<b>Total deferred revenue</b>	<u>\$ 7,522,487</u>	<u>\$ 6,702,043</u>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

### 3. Deferred revenue (continued):

Gas Tax Agreement funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the local government and the Union of British Columbia Municipalities. Gas Tax Agreement funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

#### Schedule of Gas Tax Agreement Funds

	2016	2015
Opening balance of unspent funds	\$ 5,102,639	\$ 4,267,689
Add:		
Amounts received during the year	812,456	785,987
Interest earned	42,112	48,963
	854,568	834,950
Closing balance of unspent funds	\$ 5,957,207	\$ 5,102,639

### 4. Employee future benefit obligations:

The District provides sick leave and certain benefits to its employees. These amounts and other employee related liabilities will require funding in future periods and are set out below.

Accumulated sick leave represents the liability for sick leave banks accumulated for estimated draw downs at future dates. Retirement benefit payments represent the District's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments, death benefits, certain vacation entitlements in the year of retirement, and pension buyback arrangements for qualified employees. The accrued employee benefit obligations and the net periodic benefit cost were estimated by an actuarial valuation completed effective for December 31, 2016.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 4. Employee future benefit obligations (continued):

Information about liabilities for employee benefit plans is as follows:

	2016	2015
Accrued benefit liability, beginning of year	\$ 1,747,300	\$ 1,654,900
Service cost	126,700	122,400
Interest cost	50,000	48,300
Long-term disability expense	(63,100)	63,000
Amortization of net actuarial gain	(5,800)	(6,700)
Benefit payments	(139,900)	(134,600)
Accrued benefit liability, end of year	\$ 1,715,200	\$ 1,747,300

The difference between the actuarially accrued benefit obligation of \$1,724,500 (2015 - \$1,709,900) and the accrued benefit liability of \$1,715,200 (2015 - \$1,747,300) is an actuarial net loss of \$9,300 (2015 - gain of \$37,400). This actuarial loss is being amortized over a period equal to the employees' average remaining service period of 10 years.

The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$113,600 (2015 - \$233,700).

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 future inflation rates	2.50 %	2.50 %
Expected wage and salary increases	2.59 to 4.63 %	2.59 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, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local government.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

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#### **4. Employee future benefit obligations (continued):**

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. 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 next valuation for the Municipal Pension Plan will be 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 District paid \$1,887,814 (2015 - \$1,828,465) for employer contributions while employees contributed \$1,469,949 (2015 - \$1,435,767) to the plan in fiscal 2016.

#### **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. The District and its employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined at 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 \$1,519,599. The actuary does not attribute portions of the unfunded liability to individual employers. The District paid \$104,750 (2015 - \$96,360) for employer contributions and District employees paid \$101,601 (2015 - \$100,118) for employee contributions to the plan in fiscal 2016.



# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 5. Long-term debt:

	2016	2015
Debenture debt - MFA Issue 80 payable at \$142,594 annually; fixed interest payments 4.775% paid semi-annually (\$113,160). Final payment October 3, 2023. Actuarial benefits from the re-investments of principal payments estimated at \$1,863,124.	\$ 2,189,238	\$ 2,445,316
Capital leases - MFA, payable monthly; payments include interest between 1.36 - 2.00%; terms from 2010 to 2021.	334,572	341,164
<b>Total General Capital Fund debt</b>	<b>\$ 2,523,810</b>	<b>\$ 2,786,480</b>

### (a) Debenture debt:

The loan agreements with the Capital Regional District and the MFA provide that if, at any time, the scheduled payments provided for in the agreements are not sufficient to meet the MFA's obligations in respect of such borrowings, the resulting deficiency becomes a liability of the District.

The District issues its debentures through the MFA. Debentures are issued on a sinking fund basis, where the MFA invests the District's sinking fund payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. The gross value of debenture debt at December 31, 2016 is \$4,715,000.

### (b) The aggregate amount of payments required on the District's long-term debt during each of the next five years is as follows:

	Minimum lease payments	Estimated principal payments	Total
2017	\$ 109,587	\$ 142,594	\$ 252,181
2018	84,523	142,594	227,117
2019	76,748	142,594	219,342
2020	49,069	142,594	191,663
2021	14,645	142,594	157,239
	<b>\$ 334,572</b>	<b>\$ 712,970</b>	<b>\$ 1,047,542</b>

### (c) Total interest expense on long-term debt for the year ending December 31, 2016 amounted to \$118,224 (2015 - \$113,521).

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 6. Tangible capital assets:

Cost	Balance December 31, 2015	Additions	Disposals/ Transfers	Balance December 31, 2016
Land	\$ 2,852,877	\$ -	\$ -	\$ 2,852,877
Land improvements	870,367	752,322	-	1,622,689
Building and building improvements	23,411,564	2,205,121	(66,158)	25,550,527
Machinery and equipment	2,992,033	348,388	(158,263)	3,182,158
IT equipment	842,696	59,306	(19,833)	882,169
Vehicles	5,611,926	611,592	(315,051)	5,908,467
Roads, drains, sewer and water	55,795,850	1,778,445	(134,703)	57,439,592
Assets under construction	1,330,097	(562,171)	-	767,926
<b>Total</b>	<b>\$ 93,707,410</b>	<b>\$ 5,193,003</b>	<b>\$ (694,008)</b>	<b>\$ 98,206,405</b>

Accumulated amortization	Balance December 31, 2015	Disposals	Amortization expense	Balance December 31, 2016
Land improvements	\$ 212,779	\$ -	\$ 37,577	\$ 250,356
Building and building improvements	8,018,737	(6,564)	417,130	8,429,303
Machinery and equipment	1,512,550	(168,773)	145,960	1,489,737
IT equipment	551,381	(19,833)	86,379	617,927
Vehicles	2,828,641	(237,693)	268,027	2,858,975
Roads, drains, sewer and water	27,173,096	(122,059)	790,906	27,841,943
<b>Total</b>	<b>\$ 40,297,184</b>	<b>\$ (554,922)</b>	<b>\$ 1,745,979</b>	<b>\$ 41,488,241</b>

Net book value	December 31, 2015	December 31, 2016
Land	\$ 2,852,877	\$ 2,852,877
Land improvements	657,588	1,372,333
Building and building improvements	15,392,827	17,121,224
Machinery and equipment	1,479,483	1,692,421
IT equipment	291,315	264,242
Vehicles	2,783,285	3,049,492
Roads, drains, sewer and water	28,622,754	29,597,649
Assets under construction	1,330,097	767,926
<b>Total</b>	<b>\$ 53,410,226</b>	<b>\$ 56,718,164</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 6. Tangible capital assets (continued):

### (a) Assets under construction:

Assets under construction having a value of \$767,926 (2015 - \$1,330,097) have not been amortized. Amortization of these assets will commence when the asset is available for service.

### (b) Contributed tangible capital assets:

There were no contributed assets recognized during 2015 or 2016.

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

Where an estimate of fair value could not be made, tangible capital assets are recognized at a nominal value. Land is the only category where nominal values have been assigned.

### (d) 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.

During the year, the District purchased a work of art titled "Rebirth" by David Hunwick. The purchase price of \$15,750 plus installation costs was expensed in the current year.

### (e) Write-down of tangible capital assets:

There were no write-downs of tangible capital assets during 2015 or 2016.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 7. Accumulated surplus:

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

	2016	2015
<b>Surplus:</b>		
Equity in tangible capital assets	\$ 54,194,354	\$ 50,623,746
Operating Fund	2,788,094	4,021,841
<b>Total surplus</b>	<b>56,982,448</b>	<b>54,645,587</b>
<b>Reserve Funds:</b>		
Village Parking	905,658	896,723
Fire Equipment	1,080,489	903,403
Land Sale	39,626	1,768,370
Machinery and Equipment	1,893,980	1,945,511
Heritage	2,159,532	2,201,727
Tax Sale Property	1,762	1,759
Parks Acquisition	273,105	270,533
Capital Works	19,334,951	16,206,126
Alternative Transportation Infrastructure	13,975	15,583
<b>Total reserve funds</b>	<b>25,703,078</b>	<b>24,209,735</b>
	<b>\$ 82,685,526</b>	<b>\$ 78,855,322</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 8. Taxation:

As well as taxes for its own purposes, the District is required to collect taxes on behalf of, and transfer these amounts to, the government agencies noted below. Taxes levied over or under the amounts requisitioned are recorded as accounts payable or receivable.

	2016	2015
<b>Taxes</b>		
Property tax	\$ 38,455,590	\$ 37,658,389
Payments in lieu of taxes	177,955	181,372
Special assessments and local improvements	264,493	255,546
1% Utility tax	127,258	131,467
Waste disposal fees	1,487,616	1,455,800
Penalties and interest	147,279	185,682
	<u>40,660,191</u>	<u>39,868,256</u>
<b>Less taxes levied on behalf of:</b>		
Provincial government - school taxes	9,753,351	9,750,322
Capital Regional District	2,872,946	2,796,534
Telus (CREST) - CRD	62,639	67,084
Provincial Government - Non-residential school	1,036,310	1,044,927
Capital Regional Hospital District	1,835,763	1,791,666
Municipal Finance Authority	1,262	1,193
BC Assessment Authority	349,277	361,256
BC Transit Authority	1,664,531	1,635,062
Business Improvement Area	80,570	80,003
	<u>17,656,649</u>	<u>17,528,047</u>
<b>Net taxes available for municipal purposes</b>	<u>\$ 23,003,542</u>	<u>\$ 22,340,209</u>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 9. Commitments and contingent liabilities:

In the normal course of business, the District enters into commitments for both capital and operational expenses. These commitments have been budgeted for within the appropriate annual financial plan and have been approved by Council.

(a) MFA debt reserve fund deposits:

Under borrowing arrangements with the MFA, the District is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are included in the District's financial assets as cash and are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the District. At December 31, 2016 there were contingent demand notes of \$136,718 (2015 - \$136,718) which are not included in the financial statements of the District.

(b) Capital Regional District (CRD) debt, under the provision 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.

(c) The District is a shareholder and member of the Capital Regional Emergency Service Telecommunications (CREST) Incorporated whose services provide 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) In the normal course of business, the District is a defendant in various lawsuits for which no liability is reasonably determinable at this time. Should the claims be successful as a result of litigation, amounts will be recorded when a liability is likely and 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 jointly share 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. The District's deductible is \$10,000.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 9. Commitments and contingent liabilities (continued):

- (e) During 2008 the Province of BC gave its share (50%) of the heritage property known as Tod House to the District. The value of this transaction was recorded as \$395,000. Concurrently the Province registered a "Possibility of Reverter" against the property. This states that the Province has granted its interest to the District "for so long as the land is used for the specific purpose of managing the Tod House Heritage Site". Previous correspondence with the Province suggests that if the property use is changed the District will pay to the Province 50% of the market value of the property at the time that its use changed. The District has no plans to change the use of Tod House.
- (f) During 2015, the District entered into a lease agreement with the Board of Education to lease the Neighbourhood Learning Centre, located in the Oak Bay High School. The lease commenced on September 1, 2015 and requires annual lease payments of \$89,984 for a term of 25 years.

## 10. Trust funds:

Trust funds administered by the District have not been included in the statement of financial position nor have their operations been included in the statement of operations.

	Heritage House Trust	Legacy Trusts	2016	2015
Financial assets:				
Cash	\$ 666	\$ 75,452	\$ 76,118	\$ 55,725
Investments	283,538	364,506	648,044	628,624
Due from operating fund	15,323	-	15,323	34,649
	<u>\$ 299,527</u>	<u>\$ 439,958</u>	<u>\$ 739,485</u>	<u>\$ 718,998</u>

Since the use of Trust Funds is restricted, their assets and liabilities are not recorded in the financial statements.

The District has received bequests that are to be used for various purposes. These are maintained in the Legacy Trusts, with authorized expenditures being funded from it, and earnings on investments being added to the Trust.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 11. Financial plan data:

The financial plan data presented in these financial statements is based upon the 2016 operating and capital financial plans approved by Council on May 13, 2016 and subsequent amendments. Amortization was not contemplated in the development of the financial plan and, as such, has not been included. The following reconciles the approved financial plan to the financial plan figures reported in these financial statements.

	Financial plan amount
Revenues:	
Financial plan	\$ 46,597,825
Less:	
Transfers from own funds	3,892,939
Financial plan amendments	4,477,522
Total revenue	38,227,364
Expenses:	
Financial plan	46,597,825
Less:	
Capital expenses	8,896,671
Transfer to other funds	1,723,600
Debt principal payments	142,594
Financial plan amendments	879,385
Total expenses	34,955,575
Annual surplus	\$ 3,271,789

The annual surplus above represents the planned results of operations prior to the budgeted transfers between reserve funds, debt repayments and capital expenditures.

## 12. Comparative information:

Certain 2015 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.



# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 13. Segmented information:

The Corporation of the District of Oak Bay is a diversified municipal organization that provides a wide range of services to its citizens. For management reporting purposes, the District's operations and activities are organized and reported by service areas. Municipal services are provided by departments and their activities are reported in these service areas. Service areas that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

### (a) General Government:

The departments within General Government are Corporate Administration, Building and Planning, Finance, and Information Technology. These departments are responsible for adopting bylaws, adopting administrative policy, levying taxes, ensuring effective financial management, monitoring performance and ensuring that high quality municipal service standards are met.

### (b) Protective Services:

Protective Services is made up of Police, Fire, Building and Planning and Animal Control. The Police Department ensures the safety of the lives and property of Oak Bay citizens through the enforcement of municipal bylaws and criminal law, the maintenance of law and order, and the prevention of crime. The Fire Department is responsible for providing critical, life-saving services in preventing or minimizing the loss of life and property from fire emergencies. The Fire Department also coordinates the District's emergency program. The Building and Planning department provides a full range of building services related to permits and current regulatory issues and through its Bylaw Enforcement division promotes, facilitates and enforces general compliance with bylaws. Animal Control services enforce the animal control bylaws and operate the pound and adoption centre for animals.

### (c) Transportation Services:

Transportation Services is responsible for the construction and maintenance of roads and sidewalks throughout Oak Bay. Other duties include street cleaning, leaf pickup, snow removal and street lighting. This department is also responsible for the construction and maintenance of the storm drain collection systems.

### (d) Environmental Health Services:

The Environmental Health Services is responsible for the collection and disposal of household garbage.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 13. Segmented information (continued):

(e) Recreation Services:

Recreation Services is responsible for providing, facilitating the development of, and maintaining the high quality of parks, recreation facilities, and cultural services.

(f) Water Utilities and Sewer Collection System:

The Water Utilities and Sewer Collection System Departments operate and distribute the water and sewer networks. They are responsible for the construction and maintenance of the water and sewer distribution systems, including mains and pump stations.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. Taxation and payments-in-lieu of taxes are apportioned to General Government, Protective, Transportation, and Recreation Services based on current year expenditures. 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 OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

### 13. Segmented information (continued):

2016	General Government	Protective Services	Transportation Services	Environmental Health	Recreation Services	Water Utility	Sewer Collection System	Total
<b>Revenue:</b>								
Taxation	\$ 3,081,371	\$ 9,861,512	\$ 3,536,061	\$ 1,487,616	\$ 5,036,982	-	-	\$ 23,003,542
Sales and service	135,779	136	-	8,002	7,910,338	3,763,905	2,329,555	14,147,715
Government transfers	345,328	258,882	-	-	-	-	-	604,210
Other revenues	622,447	841,456	42,237	-	-	-	-	1,506,140
Investment income	418,239	-	-	-	-	-	-	418,239
<b>Total revenue</b>	<b>4,603,164</b>	<b>10,961,986</b>	<b>3,578,298</b>	<b>1,495,618</b>	<b>12,947,320</b>	<b>3,763,905</b>	<b>2,329,555</b>	<b>39,679,846</b>
<b>Expenses:</b>								
Salaries and wages	1,633,948	8,348,124	1,837,608	341,706	8,406,682	628,733	484,181	21,680,982
Materials, supplies and services	2,434,565	1,051,930	699,057	895,165	3,191,485	2,442,909	1,594,410	12,309,521
Interest and other	-	-	-	-	113,160	-	-	113,160
Amortization	88,152	132,971	529,248	169,272	506,121	227,271	92,944	1,745,979
<b>Total expenses</b>	<b>4,156,665</b>	<b>9,533,025</b>	<b>3,065,913</b>	<b>1,406,143</b>	<b>12,217,448</b>	<b>3,298,913</b>	<b>2,171,535</b>	<b>35,849,642</b>
<b>Annual surplus</b>	<b>\$ 446,499</b>	<b>\$ 1,428,961</b>	<b>\$ 512,385</b>	<b>\$ 89,475</b>	<b>\$ 729,872</b>	<b>\$ 464,992</b>	<b>\$ 158,020</b>	<b>\$ 3,830,204</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 13. Segmented information (continued):

2015	General Government	Protective Services	Transportation Services	Environmental Health	Recreation Services	Water Utility	Sewer Collection System		Total
							Collection	System	
<b>Revenue:</b>									
Taxation	\$ 3,309,264	\$ 9,136,754	\$ 3,686,254	\$ 1,455,800	\$ 4,752,137	\$ -	\$ -	\$ -	\$ 22,340,209
Sales and service	120,051	-	-	8,522	7,570,439	3,422,966	2,223,259	-	13,345,237
Government transfers	363,258	258,882	-	-	-	-	-	-	622,140
Other revenues	1,195,456	726,320	35,691	-	-	-	-	-	1,957,467
Investment income	442,099	-	-	-	-	-	-	-	442,099
<b>Total revenue</b>	<b>5,430,128</b>	<b>10,121,956</b>	<b>3,721,945</b>	<b>1,464,322</b>	<b>12,322,576</b>	<b>3,422,966</b>	<b>2,223,259</b>	<b>-</b>	<b>38,707,152</b>
<b>Expenses:</b>									
Salaries and wages	1,175,462	7,911,593	1,933,083	323,318	7,896,638	526,830	424,622	-	20,191,546
Materials, supplies and services	3,487,584	976,649	810,527	744,307	3,168,348	2,283,075	1,523,698	-	12,994,188
Interest and other	-	-	-	-	113,160	-	-	-	113,160
Amortization	105,874	153,601	542,560	169,272	582,650	227,271	92,942	-	1,874,170
<b>Total expenses</b>	<b>4,768,920</b>	<b>9,041,843</b>	<b>3,286,170</b>	<b>1,236,897</b>	<b>11,760,796</b>	<b>3,037,176</b>	<b>2,041,262</b>	<b>-</b>	<b>35,173,064</b>
<b>Annual surplus</b>	<b>\$ 661,208</b>	<b>\$ 1,080,113</b>	<b>\$ 435,775</b>	<b>\$ 227,425</b>	<b>\$ 561,780</b>	<b>\$ 385,790</b>	<b>\$ 181,997</b>	<b>\$ -</b>	<b>\$ 3,534,088</b>