



DISTRICT OF LANTZVILLE

Financial Statements

Year ended December 31, 2017

**DISTRICT OF LANTZVILLE
FINANCIAL STATEMENTS**

Year Ended December 31, 2017

| | |
|---|------|
| Statement of Responsibility | 1 |
| Independent Auditors' Report..... | 2 |
| Statement of Financial Position | 3 |
| Statement of Operations..... | 4 |
| Statement of Change in Net Financial Assets | 5 |
| Statement of Cash Flows | 6 |
| Notes to the Financial Statements..... | 7-18 |
| <u>Schedules:</u> | |
| Schedule A – Schedule of Tangible Capital Assets..... | 19 |
| Schedule B – Schedule of Statutory Reserve Funds | 20 |
| Schedule C – Schedule of Segment Disclosures for the year ended December 31, 2017 | 21 |
| Schedule C – Schedule of Segment Disclosures for the year ended December 31, 2016 | 22 |

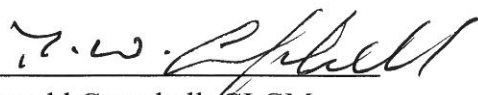
DISTRICT OF LANTZVILLE STATEMENT OF RESPONSIBILITY

The accompanying financial statements of the District of Lantzville (the “District”) are the responsibility of the District’s management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in the notes to the financial statements. The preparation of financial statements 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 Grant Thornton 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. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the District in accordance with Canadian public sector accounting standards.


Ronald Campbell, CLGM
Chief Administrative Officer
May 7, 2018

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of
THE DISTRICT OF LANTZVILLE

Report on Financial Statements

We have audited the accompanying financial statements of the District of Lantzville, which comprise the statement of financial position as at December 31, 2017, the statement of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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. These 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 of material misstatement, whether due to fraud or error.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The District of Lantzville 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.

Other Matter

The financial statements of the District of Lantzville for the year ended December 31, 2016, were audited by another accounting firm and are presented for comparative purposes only.



Nanaimo, BC
May 7, 2018

Chartered Professional Accountants

District of Lantzville



STATEMENT OF FINANCIAL POSITION

As at December 31, 2017 with comparative information for 2016

| | 2017 | 2016 |
|---|---------------|---------------|
| Financial assets: | | |
| Cash (Note 3) | \$ 499,206 | \$ 1,684,506 |
| Investments (Note 3) | 10,184,388 | 7,107,511 |
| Taxes receivable | 130,953 | 150,597 |
| Accounts receivable | 243,613 | 194,201 |
| Inventories for resale | 720 | 1,293 |
| | 11,058,880 | 9,138,108 |
| Liabilities: | | |
| Accounts payable and accrued liabilities | 388,770 | 577,266 |
| Deposits | 30,252 | 18,650 |
| Deferred revenue (Note 4) | 3,682,798 | 1,751,405 |
| Prepaid property taxes | 139,115 | 86,960 |
| Employee future benefits obligations (Note 5) | 95,129 | 68,852 |
| | 4,336,064 | 2,503,133 |
| Net financial assets | 6,722,816 | 6,634,975 |
| Non-financial assets: | | |
| Tangible capital assets (Note 6 and Schedule A) | 31,836,720 | 31,987,775 |
| Inventory of supplies | 17,119 | 9,548 |
| Prepaid expenses | 42,612 | 45,089 |
| | 31,896,451 | 32,042,412 |
| Accumulated surplus (Note 7) | \$ 38,619,267 | \$ 38,677,387 |

Commitments and contingent liabilities (Note 11)

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

Approved by:

Jeannie Beauchamp, CPA, CGA, MBA
Director of Financial Services

District of Lantzville



STATEMENT OF OPERATIONS

For the year ended December 31, 2017 with comparative information for 2016

| | Financial Plan | 2017 | 2016 |
|---|----------------------|----------------------|----------------------|
| Revenue: | | | |
| Taxation, net (Note 8) | \$ 2,418,023 | \$ 2,432,617 | \$ 2,348,126 |
| Sales of services | 695,644 | 725,010 | 693,187 |
| Grants and government transfers (Note 9) | 3,045,500 | 672,180 | 445,380 |
| Investment income | 60,600 | 155,401 | 83,147 |
| Penalties and fines | 32,200 | 36,064 | 37,924 |
| Net gain on sale | - | - | 1 |
| Development charges earned | 202,820 | 1,377 | 56,861 |
| Contributions from developers and others | 3,000 | 7,582 | 2,460 |
| Other revenue from own sources | 123,430 | 150,726 | 86,721 |
| Total revenues | 6,581,217 | 4,180,957 | 3,753,807 |
| Expenses: (Note 10 and Schedules C) | | | |
| General government services | 1,362,631 | 1,287,678 | 1,041,223 |
| Transportation services | 861,892 | 1,153,505 | 742,155 |
| Protective services | 488,042 | 500,620 | 490,168 |
| Solid waste collection | 183,675 | 187,320 | 180,553 |
| Recreation and cultural services | 347,129 | 330,616 | 328,118 |
| Community development services | 78,269 | 107,144 | 70,715 |
| Sewer | 286,293 | 263,377 | 288,988 |
| Water | 464,150 | 408,817 | 393,112 |
| Total expenses | 4,072,081 | 4,239,077 | 3,535,032 |
| Annual surplus (deficit) | 2,509,136 | (58,120) | 218,775 |
| Accumulated surplus, beginning of year | 38,677,387 | 38,677,387 | 38,458,612 |
| Accumulated surplus, end of year | \$ 41,186,523 | \$ 38,619,267 | \$ 38,677,387 |

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

District of Lantzville



STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31, 2017 with comparative information for 2016

| | Financial Plan | 2017 | 2016 |
|--|----------------|-------------|--------------|
| Annual surplus (deficit) | \$ 2,509,135 | \$ (58,120) | \$ 218,775 |
| Acquisition of tangible capital assets | (5,509,698) | (881,425) | (578,344) |
| Amortization of tangible capital assets | 731,000 | 771,283 | 743,708 |
| Loss on the disposal of tangible capital assets | - | 261,197 | 11,399 |
| Proceeds on sale of tangible capital assets | - | - | 1 |
| | (2,269,563) | 92,935 | 395,539 |
| Acquisition and consumption of inventory of supplies | - | (7,571) | (1,626) |
| Acquisition and consumption of prepaid expenses | - | 2,477 | (5,485) |
| | | (5,094) | (7,111) |
| Change in net financial assets | (2,269,563) | 87,841 | 388,428 |
| Net financial assets at beginning of year | 6,634,975 | 6,634,975 | 6,246,547 |
| Net financial assets at end of year | \$ 4,365,412 | 6,722,816 | \$ 6,634,975 |

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

District of Lantzville



STATEMENT OF CASH FLOWS

For the year ended December 31, 2017 with comparative information for 2016

| | 2017 | 2016 |
|--|--------------------|---------------------|
| Cash provided by (used in): | | |
| Operating transactions: | | |
| Annual surplus (deficit) | \$ (58,120) | \$ 218,775 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 771,283 | 743,708 |
| Loss on the disposal and write-down of tangible capital assets | 261,197 | 11,399 |
| Changes in non-cash operating assets and liabilities: | | |
| Accounts receivable | (49,412) | (28,835) |
| Inventories for resale | 573 | (73) |
| Taxes receivable | 19,644 | 15,592 |
| Accounts payable and accrued liabilities | (188,496) | 220,547 |
| Deposits | 11,602 | 10,700 |
| Deferred revenue | 1,931,393 | 184,250 |
| Prepaid property taxes | 52,155 | 7,412 |
| Employee future benefit obligations | 26,277 | 12,805 |
| Inventory of supplies | (7,571) | (1,626) |
| Prepaid expenses | 2,477 | (5,485) |
| Cash provided by operating transactions | 2,773,002 | 1,389,169 |
| Financing transactions: | | |
| Investments | (3,076,877) | (5,011,909) |
| Capital transactions: | | |
| Proceeds from sale of tangible capital assets | - | 1 |
| Acquisition of tangible capital assets | (881,425) | (578,344) |
| Cash used in capital transactions | (881,425) | (578,343) |
| Increase (decrease) in cash and cash equivalents | (1,185,300) | (4,201,083) |
| Cash and cash equivalents, beginning of year | 1,684,506 | 5,885,589 |
| Cash and cash equivalents, end of year | \$ 499,206 | \$ 1,684,506 |

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

The District of Lantzville is a municipality that was incorporated on June 25, 2003 pursuant to the issue of Letters Patent dated April 3, 2003. The District operates under the provisions of the *Local Government Act* and *Community Charter* of British Columbia. The District's principal activities include the provision of local government and services to residents of the incorporated area. These services include government, fire protection, solid waste collection, parks and recreation, planning and development, and water and sewer services.

1. Significant Accounting Policies:

The financial statements of the District of Lantzville (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 ("PSAB") 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 the District's activities and funds. Inter-departmental balances and organizational transactions have been eliminated.

Consolidated entities: The District does not control any significant external entities and accordingly no entities have been consolidated with 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. Expenses paid in the current period and attributable to a future period are recorded as prepaid.

(c) Revenue Recognition:

- i. Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year.
- ii. Sales of services and user fee revenues are recognized when the service or product is rendered by the District and the amounts are received or become receivable.
- iii. Unrestricted government transfers are recognized as revenue in the year in which the transfer is authorized by the issuing government, and when any eligibility criteria has been met. Restricted government transfers, in the way of grants or other transfers, are recognized as revenue in the year in which the stipulations are met.
- iv. Revenue unearned in the current period is recorded as deferred revenue.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

1. Significant Accounting Policies: (continued)

- v. 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 included in deferred revenue.

(d) Deferred Revenue:

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

Development cost charges are amounts which are restricted by government legislation or agreement with external parties. When qualifying expenditures are incurred, the development cost charges are recognized as revenue in amounts which equal the associated expenses.

(e) Cash and Investments:

Cash and investments consist of cash on deposit in qualifying institutions as defined in the *Community Charter*. Investments are recorded at cost plus amounts reinvested.

(f) Employee Future Benefits Payable:

The District and its employees make contributions to the Municipal Pension Plan. The District's 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 estimated based on the actual service and current salary and wage. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(g) Deposits:

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

1. Significant Accounting Policies: (continued)

(h) 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 business. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

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 | Indefinite |
| Land Improvements | 10 – 50 |
| Buildings | 15 – 80 |
| Equipment | 5 – 10 |
| Roads Infrastructure | 10 – 75 |
| Vehicles | 10 – 25 |
| Sewer Infrastructure | 10 – 100 |
| Water Infrastructure | 10 – 100 |

Amortization is calculated monthly, commencing the month the asset is put in service, and ending the month prior to 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 assets are less than the 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 are recorded as revenue.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

1. Significant Accounting Policies: (continued)

iii. Works of Art, and Historical Treasures:

The District manages and controls various works of art and non-operational historical cultural assets. These assets are not recorded as tangible capital assets and are not amortized due to the subjectivity of their value.

iv. Interest Capitalization:

The District capitalizes 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 incurred.

vi. Inventory of Supplies:

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

(i) Use of Estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at a point in time, the reported amounts of revenues and expenses during the reporting period, and the disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, estimating provisions for accrued liabilities, and in estimating provisions of employee future benefits. Actual results could differ from these estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

(j) Comparative Figures:

Certain comparative figures have been reclassified to conform with presentation adopted in the current year.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

1. Significant Accounting Policies: (continued)

(k) Future Accounting Pronouncements:

A number of new standards and amendments to standards are not yet effective for the year ended December 31, 2017 and have not been applied in preparing these financial statements. Those expected to potentially impact the financial statements of the District are as follows:

i. **PS3450 - Financial Instruments:**

Financial instruments PS3450 and Foreign Currency Translation PS2601 have been approved by the PSAB and are effective for years commencing on or after April 1, 2019. The standards are to be adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions. Under PS3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the entity's accounting policy choices.

ii. **PS2601 – Foreign Currency Translation:**

This section revises and replaces the existing Section PS2600 Foreign Currency Translation. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

iii. **PS1201 – Financial Statement Presentation:**

This Section revises and replaces the existing Section PS1200 Financial Statement Presentation. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

iv. **PS2200 – Related Party Disclosures:**

This Section defined a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated. This Section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

v. **PS3320 – Contingent Assets:**

This section establishes disclosure standards on contingent assets. This Section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

1. Significant Accounting Policies: (continued)

vi. PS3420 – Inter-entity transactions:

This section establishes how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This Section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

vii. PS3380 – Contractual Rights:

This section establishes disclosure standards on contractual rights. This Section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

viii. PS3430 – Restructuring Transactions:

This section establishes disclosure standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. This Section applies to fiscal years beginning on or after April 1, 2018, with early adoption permitted.

2. Financial Instruments:

The District's financial instruments consist of cash and investments, accounts receivable, taxes receivable, accounts payable and accrued liabilities, and deposits. The carrying amount of these financial instruments approximates their fair value because they are short-term in nature or because they bear interest at market rates.

Unless otherwise noted, it is management's opinion that the District is not exposed to significant interest or credit risks arising from these financial instruments.

3. Cash and Investments:

Cash and investments are comprised of cash on hand, cash on deposit at financial institutions and investments held in the Municipal Finance Authority of British Columbia investment funds.

| | 2017 | 2016 |
|-------------|----------------------|---------------------|
| Cash | \$ 499,206 | \$ 1,684,506 |
| Investments | 10,184,388 | 7,107,511 |
| | \$ 10,683,594 | \$ 8,792,017 |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

3. Cash and Investments: (continued)

Cash deposited at the Coastal Credit Union earns interest at a rate in the range of prime minus 1 to 2%. Investments consist of short-term investments in the Municipal Finance Authority of BC money market fund and bond funds as well as Guaranteed Investment Certificates with various financial institutions. Investments have yields ranging from 0.70% to 2.30%

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

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Statutory reserves | \$ 4,009,856 | \$ 3,696,588 |
| Restricted investments – development cost charges | 401,550 | 362,756 |
| | \$ 4,411,406 | \$ 4,059,344 |

4. Deferred Revenue:

Deferred revenue is comprised of the following as at December 31:

| | 2017 | 2016 |
|---------------------------------|---------------------|---------------------|
| Community Works (Gas Tax) Funds | \$ 1,393,378 | \$ 1,339,121 |
| Development Cost Charges | 401,550 | 362,756 |
| Other Deferred Revenue | 1,887,870 | 49,528 |
| | \$ 3,682,798 | \$ 1,751,405 |

Community Works (Gas Tax) Funds

The Community Works funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the District and the Union of British Columbia Municipalities. These funds may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreement.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

4. Deferred Revenue: (continued)

Development Cost Charges

Development cost charges are comprised of the following at December 31:

| | 2016 | Receipts | Interest | Eligible Expense | 2017 |
|--------------------|-------------------|------------------|-----------------|---------------------|-------------------|
| Water | \$ 120,188 | \$ 7,787 | \$ 2,235 | \$ 3,894 | \$ 126,316 |
| Sewer | 55,434 | 12,365 | 1,030 | 6,182 | 62,647 |
| Drainage | 71,639 | 9,447 | 1,332 | - | 82,418 |
| Highway Facilities | 44,295 | 7,742 | 823 | 1,377 | 51,483 |
| Parkland | 71,200 | 6,162 | 1,324 | - | 78,686 |
| | \$ 362,756 | \$ 43,503 | \$ 6,744 | \$ 11,453 | \$ 401,550 |

Development cost charges in the amount of \$3,894 for Water and \$6,182 for Sewer were refunded to a payee in 2017.

5. Employee Future Benefit Obligations:

Employee benefit obligations represent accrued benefits as follows:

| | 2017 | 2016 |
|--------------------|------------------|------------------|
| Vacation payable | \$ 29,297 | \$ 18,503 |
| Accrued sick leave | 65,832 | 50,349 |
| | \$ 95,129 | \$ 68,852 |

Accrued vacation is the amount of vacation entitlement carried forward into the next year. Employee benefit obligations also include accumulated sick leave banks that may be drawn down in future years. These sick leave entitlements may only be used while employed by the District and are paid out on retirement under certain conditions.

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 administering the plan, including investment of assets and administration of the benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided 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.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

5. Employee Future Benefit Obligations: (continued)

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

The most recent actuarial valuation of 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 \$78,917 (2016 - \$66,291) for employer contributions, while employees contributed \$74,294 (2016 - \$59,306) to the Plan in fiscal 2017.

The next valuation will be 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 with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

6. Tangible Capital Assets (Schedule A):

(a) Assets under construction:

Assets under construction having a value of \$128,149 (2016 - \$525,531) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed capital assets are recognized at fair market value at the date of contribution. The value of contributed capital assets received during the year is \$nil (2016 - \$nil)

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the asset has been recognized at a nominal value.

(d) Write-down of tangible capital assets:

Tangible capital assets having a value of \$1 (2016 - \$nil) have been written down during the year. A tangible capital asset with a value of \$261,196 was transferred to the City of Nanaimo in 2017.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

7. Accumulated Surplus:

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

| | 2017 | 2016 |
|--------------------------------------|----------------------|----------------------|
| Equity in Tangible Capital Assets | \$ 31,836,720 | \$ 31,987,775 |
| Unrestricted General Fund Surplus | 2,395,155 | 2,777,624 |
| Unrestricted Sewer Fund Surplus | (300,342) | (453,135) |
| Unrestricted Water Fund Surplus | 677,878 | 668,535 |
| Statutory Reserve Funds (Schedule B) | 4,009,856 | 3,696,588 |
| | \$ 38,619,267 | \$ 38,677,387 |

Reserve funds are comprised of the statutory reserve funds shown in Schedule B.

8. Net Taxes Available for Municipal Purposes:

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

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Taxes: | | |
| Property / parcel taxes | \$ 5,274,361 | \$ 5,254,438 |
| Payments in lieu of taxes | 16,983 | 19,467 |
| 1% utility taxes | 50,705 | 50,727 |
| | 5,342,049 | 5,324,632 |
| Less taxes levied for other authorities: | | |
| School District | 1,820,677 | 1,882,129 |
| School District - policing | 210,111 | 207,466 |
| Regional Hospital District | 177,904 | 175,710 |
| Regional District of Nanaimo | 659,683 | 665,395 |
| BC Assessment Authority | 40,879 | 45,644 |
| Municipal Finance Authority | 178 | 162 |
| | 2,909,432 | 2,976,506 |
| Net taxes available for municipal purposes | \$ 2,432,617 | \$ 2,348,126 |

Net taxes available for municipal purposes includes \$178,101 for the Vancouver Island Regional Library (2016 - \$171,109).



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

9. Government Grants and Transfers

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Operating transfers from provincial government: | | |
| Strategic Communities Investment Fund Grant | \$ 436,130 | \$ 435,290 |
| New Building Canada Fund – Small Communities Fund | 16,312 | - |
| Other | 26,269 | 10,090 |
| Operating transfers from federal government: | | |
| New Building Canada Fund – Small Communities Fund | 16,312 | - |
| Federal Gas Tax | 177,157 | - |
| | \$ 672,180 | \$ 445,380 |

10. Expenditure by Object and Segment

The District's operations and activities are organized and reported by Fund. These Funds include General, Water, and Sewer. The District's expenditures by object are reported in Schedule C – Schedule of Segment Disclosures. The following are the activities/services provided by each of the segments reported on:

GENERAL FUND

General Government

General government services includes all administrative aspects of the District including corporate administration, finance, human resources and legislated services to the residents of the District.

Transportation Services

Transportation services is comprised of annual maintenance of all municipally owned roads, storm drainage, sidewalks, street signs, street lighting, traffic signals and transportation vehicle fleet used to provide services to the District.

Protective Services

Protective services includes the fire department, building inspection, bylaw enforcement, and emergency planning.

Solid Waste Collection

Solid waste management includes fees related to residential solid waste curbside collection services.

Community Development Services

Community development services includes land use planning, subdivision, development, and mapping.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017 with comparative information for 2016

10. Expenditure by Object and Segment: (continued)

Recreation and Cultural Services

Recreation and Cultural Services is comprised of services meant to improve the health and development of citizens of Lantzville. This segment includes maintenance and development of all parks and green spaces within the District as well as the District's financial contribution to the services provided by the Vancouver Island Regional Library.

SEWER FUND

Sewer services includes the management and maintenance of the sanitary sewer collection system.

WATER FUND

Water services includes the management and maintenance of the water distribution system including reservoirs, wells, and hydrants.

11. Commitments and Contingencies:

- (a) The Nanaimo Regional District ("RDN") debt, under provisions of the *Local Government Act*, is a direct, joint and several liability of the RDN and each member municipality within the RDN, including the District.
- (b) The District is a defendant in various lawsuits. The District records an accrual in respect to legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. The District is insured through membership in the Municipal Insurance Association ("MIA") of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$10,000. Should the MIA pay out claims in excess of premiums received, it is possible that the District, along with other participants, would be required to contribute towards the deficit.

SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

| | <div>Infrastructure</div> | | | | | | | | | | |
|---------------------------|---------------------------|-------------------|--------------|--------------|------------|---------------|--------------|--------------|---------------------------|---------------|---------------|
| | Land | Land Improvements | Buildings | Vehicles | Equipment | Roads | Sewer | Water | Assets Under Construction | 2017 | 2016 |
| HISTORICAL COST: | | | | | | | | | | | |
| Opening Balance | \$ 8,799,199 | \$ 1,064,061 | \$ 1,997,298 | \$ 1,875,637 | \$ 523,199 | \$ 11,618,172 | \$ 8,501,781 | \$ 6,006,451 | \$ 525,531 | \$ 40,911,329 | \$ 40,395,874 |
| Additions | - | 29,870 | - | - | 33,658 | 218,314 | - | 735,768 | 128,149 | 1,145,759 | 644,483 |
| Disposal | - | (1) | - | - | (123,259) | - | - | (41,638) | (525,532) | (690,429) | (129,028) |
| Closing Balance, Dec 31 | 8,799,199 | 1,093,930 | 1,997,298 | 1,875,637 | 433,598 | 11,836,486 | 8,501,781 | 6,700,581 | 128,148 | 41,366,659 | 40,911,329 |
| ACCUMULATED AMORTIZATION: | | | | | | | | | | | |
| Opening Balance | - | 384,740 | 909,039 | 962,210 | 340,794 | 3,699,564 | 809,142 | 1,818,065 | - | 8,923,554 | 8,231,335 |
| Additions | - | 24,732 | 50,867 | 64,621 | 48,315 | 369,800 | 107,800 | 105,146 | - | 771,282 | 743,708 |
| Disposal | - | - | - | - | (123,259) | - | - | (41,638) | - | (164,897) | (51,489) |
| Closing Balance, Dec 31 | - | 409,472 | 959,906 | 1,026,831 | 265,850 | 4,069,364 | 916,942 | 1,881,573 | - | 9,529,929 | 8,923,554 |
| NET BOOK VALUE | \$ 8,799,199 | \$ 684,458 | \$ 1,037,392 | \$ 848,806 | \$ 167,748 | \$ 7,767,122 | \$ 7,584,839 | \$ 4,819,008 | \$ 128,148 | \$ 31,836,720 | \$ 31,987,775 |

Schedule A



District of Lantzville

SCHEDULE OF STATUTORY RESERVE FUNDS

For the year ended December 31, 2017

| | Winter Road Maintenance | Capital Works | Asset Replacement | Fire Truck | Park Development | Park Acquisition | Asset Replacement | Asset Replacement | 2017 Total | 2017 Financial Plan | 2016 |
|-----------------|----------------------------|------------------|----------------------|---------------|---------------------|---------------------|----------------------|----------------------|---------------|------------------------|--------------|
| | GENERAL FUND | | | | | | SEWER FUND | WATER FUND | | | |
| Opening balance | \$ 17,525 | \$ 1,503,329 | \$ 648,388 | \$ 232,496 | \$ 260,052 | \$ 36,670 | \$ 234,369 | \$ 763,759 | \$ 3,696,588 | \$ 3,696,588 | \$ 3,282,459 |
| Transfers in | 5,000 | 469,358 | 48,425 | 100,000 | - | - | 40,000 | 236,300 | 899,083 | 883,225 | 922,049 |
| Interest earned | 326 | 27,951 | 12,055 | 4,323 | 4,835 | 682 | 4,358 | 14,200 | 68,730 | - | 35,815 |
| Transfers out | (17,431) | (52,331) | (27,168) | - | - | - | - | (557,614) | (654,544) | (2,013,978) | (543,735) |
| Closing balance | \$ 5,420 | \$ 1,948,307 | \$ 681,700 | \$ 336,819 | \$ 264,887 | \$ 37,352 | \$ 278,727 | \$ 456,645 | \$ 4,009,857 | \$ 2,565,835 | \$ 3,696,588 |

Schedule B



District of Lantzville

SCHEDULE OF STATUTORY SEGMENT DISCLOSURES

For the year ended December 31, 2017

| | General Government Services | Transportation Services | Protective Services | Solid Waste Collection | Recreation and Cultural Services | Community Development Services | Sewer | Water | 2017 | 2017 Financial Plan |
|--|-----------------------------------|----------------------------|------------------------|---------------------------|--|--------------------------------------|-------------------|-------------------|--------------------|---------------------------|
| REVENUE | | | | | | | | | | |
| Taxation | \$ 662,727 | \$ 593,673 | \$ 257,653 | \$ - | \$ 348,275 | \$ 55,143 | \$ 190,756 | \$ 324,390 | \$ 2,432,617 | \$ 2,416,148 |
| Sales and services | - | - | - | 187,865 | - | - | 201,055 | 336,090 | 725,010 | 711,119 |
| Grants and government transfers | 462,400 | - | - | - | - | - | 32,623 | 177,157 | 672,180 | 3,045,500 |
| Investment income | 137,303 | - | - | - | - | - | 7,098 | 11,000 | 155,401 | 60,600 |
| Penalties and fines | 26,760 | - | - | - | - | - | 3,393 | 5,911 | 36,064 | 32,200 |
| Net Gain on Sale | - | - | - | - | - | - | - | - | - | - |
| Development charges earned | - | 1,377 | - | - | - | - | - | - | 1,377 | 202,820 |
| Contributions from developers and others | - | - | - | - | 2,340 | - | - | 5,242 | 7,582 | 3,000 |
| Other revenue from own sources | 91,786 | - | 17,313 | - | 6,227 | 35,400 | - | - | 150,726 | 109,830 |
| | 1,380,976 | 595,050 | 274,966 | 187,865 | 356,842 | 90,543 | 434,925 | 859,790 | 4,180,957 | 6,581,217 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 740,289 | 83,616 | 183,209 | - | 90,424 | 101,044 | 28,451 | 142,134 | 1,369,167 | 1,348,714 |
| Materials and supplies | 137,119 | 424,441 | 108,466 | 5,540 | 17,025 | 783 | 15,603 | 36,619 | 745,596 | 468,840 |
| Contracted services | 260,090 | 170,024 | 88,367 | 181,780 | 2,299 | - | 74,967 | 79,775 | 857,302 | 880,993 |
| Other | 94,297 | 87,446 | 36,969 | - | 193,852 | 5,317 | 34,631 | 43,217 | 495,729 | 642,534 |
| Amortization | 55,883 | 387,978 | 83,609 | - | 27,016 | - | 109,725 | 107,072 | 771,283 | 731,000 |
| | 1,287,678 | 1,153,505 | 500,620 | 187,320 | 330,616 | 107,144 | 263,377 | 408,817 | 4,239,077 | 4,072,081 |
| SURPLUS / (DEFICIT) | \$ 93,298 | \$ (558,455) | \$ (225,654) | \$ 545 | \$ 26,226 | \$ (16,601) | \$ 171,548 | \$ 450,973 | \$ (58,120) | \$ 2,509,136 |

Schedule C - 2017



District of Lantzville

SCHEDULE OF STATUTORY SEGMENT DISCLOSURES

For the year ended December 31, 2016

| | General Government Services | Transportation Services | Protective Services | Solid Waste Collection | Recreation and Cultural Services | Community Development Services | Sewer | Water | 2016 | 2016 Financial Plan |
|--|-----------------------------------|----------------------------|------------------------|---------------------------|--|--------------------------------------|------------------|-------------------|-------------------|---------------------------|
| REVENUE | | | | | | | | | | |
| Taxation | \$ 672,427 | \$ 459,433 | \$ 286,464 | \$ - | \$ 371,361 | \$ 45,673 | \$ 188,378 | \$ 324,390 | \$ 2,348,126 | \$ 2,333,526 |
| Sales and services | - | - | - | 182,090 | - | - | 192,876 | 318,221 | 693,187 | 671,827 |
| Grants and government transfers | 182,347 | 120,166 | 74,926 | - | 55,995 | 11,946 | - | - | 445,380 | 781,250 |
| Investment income | 75,677 | - | - | - | - | - | 2,824 | 4,646 | 83,147 | 60,600 |
| Penalties and fines | 29,225 | - | - | - | - | - | 3,074 | 5,625 | 37,924 | 29,380 |
| Net Gain on Sale | 1 | - | - | - | - | - | - | - | 1 | - |
| Development charges earned | - | 56,861 | - | - | - | - | - | - | 56,861 | 88,825 |
| Contributions from developers and others | 2,460 | - | - | - | - | - | - | - | 2,460 | - |
| Other revenue from own sources | 32,630 | - | 17,351 | - | 13,640 | 23,050 | - | 50 | 86,721 | 105,770 |
| | 994,767 | 636,460 | 378,741 | 182,090 | 440,996 | 80,669 | 387,152 | 652,932 | 3,753,807 | 4,071,178 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 657,211 | 82,127 | 155,072 | - | 81,871 | 68,168 | 33,162 | 130,251 | 1,207,863 | 1,192,370 |
| Materials and supplies | 52,365 | 175,440 | 99,022 | - | 19,811 | - | 81,449 | 28,269 | 373,050 | 423,298 |
| Contracted services | 181,028 | 85,841 | 78,348 | 176,537 | 2,209 | - | 7,749 | 79,081 | 526,984 | 732,665 |
| Other | 103,749 | 39,498 | 66,355 | 4,016 | 197,113 | 2,547 | 56,443 | 46,592 | 683,427 | 616,644 |
| Amortization | 46,870 | 359,249 | 91,371 | - | 27,114 | - | 110,185 | 108,919 | 743,708 | 731,000 |
| | 1,041,223 | 742,155 | 490,168 | 180,553 | 328,118 | 70,715 | 288,988 | 393,112 | 3,535,032 | 3,695,977 |
| SURPLUS / (DEFICIT) | \$ (46,456) | \$ (105,695) | \$ (111,427) | \$ 1,537 | \$ 112,878 | \$ 9,954 | \$ 98,164 | \$ 259,820 | \$ 218,775 | \$ 375,201 |

Schedule C - 2016