



THE MUNICIPALITY OF THE VILLAGE OF LIONS BAY

**COUNCIL STRATEGY COMMITTEE
OF THE VILLAGE OF LIONS BAY
HELD ON TUESDAY, MAY 2, 2017 at 3:00 PM
COUNCIL CHAMBERS, 400 CENTRE ROAD, LIONS BAY**

AGENDA

- 1. Call to Order**
- 2. Approval of Agenda**
- 3. Public Participation**
- 4. Minutes**
 - A. Council Strategy Committee Meeting – April 18, 2017 (Page 3)
THAT the Council Strategy Committee Meeting minutes of April 18, 2017 be approved as circulated.
- 5. Business Arising from the Minutes**
- 6. Unfinished Business**
- 7. Reports**
 - A. Staff
 - B. Mayor
 - C. Council
 - D. Committees
- 8. New Business**
 - A. Audit Report – Bill Cox, BDO Canada LLP (Page 7)
- 9. Public Questions & Comments**
- 10. Adjournment**

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THE MUNICIPALITY OF THE VILLAGE OF LIONS BAY

**COUNCIL STRATEGY COMMITTEE
OF THE VILLAGE OF LIONS BAY
HELD ON TUESDAY, APRIL 4, 2017 at 3:00 PM
COUNCIL CHAMBERS, 400 CENTRE ROAD, LIONS BAY**

MINUTES

In Attendance:

Council: Mayor Karl Buhr
Councillor Fred Bain
Councillor Ron McLaughlin

Regrets: Councillor Jim Hughes

Staff: Chief Administrative Officer Peter DeJong
Chief Financial Officer Pamela Rooke
Public Works Manager Nai Jaffer
Office Coordinator Shawna Gilroy (Recorder)
Municipal Accountant Hayley Cook

Public: 0

1. Call to Order
Mayor Buhr called the meeting to order at 3:00 p.m.

2. Approval of Agenda
Moved/Seconded

THAT the agenda be approved as submitted.

CARRIED

3. Public Participation
None

4. Minutes
A. Council Strategy Committee Meeting – March 7, 2017
Moved/Seconded

THAT the Council Strategy Committee Meeting Minutes of March 7, 2017 be approved as circulated.

CARRIED

5. Business Arising from the Minutes

None

6. Unfinished Business

None

7. Reports

None

8. New Business

A. Core Services

Public Works Manager Nai Jaffer presented the Core Services report and requested that Council give staff direction on initiating the four items outlined at the end of the report.

Moved/Seconded

THAT it be recommended to Council that staff reorganize the General Ledger accounts to match the CSLR categories (this will enable better tracking of activities);

THAT it be recommended to Council that staff review provision of boulevard vegetation management provided (would likely require change to bylaws re: maintenance of boulevards);

THAT it be recommended to Council that staff review and assess level of service for trails including insurance coverage for volunteers, increased liability insurance for Village, and prepare a work program/standard of care;

THAT it be recommended to Council that staff prepare for the addition of one full time equivalent employee (FTE) and truck during the 2018 budget process by adding that cost now to the 5 year financial plan; and

THAT it be recommended to Council that staff prominently publish the Core Services report to the Village website.

CARRIED

Audio: 01:00

B. Draft 2017-2021 Five Year Financial Plan

CFO Pamela Rooke presented the Draft 2017-2021 Five Year Financial Plan. Several items in the plan were discussed and recommended to Council regarding the Fire Protection tax rate and Property and Residential Tax Class Multiples.

Moved/Seconded

THAT the report “Draft 2017-2021 Five Year Financial Plan” be received for information purposes; and

THAT it be recommended to Council that the separate Fire Protection tax rate for the 2017 Tax Rate Bylaw be removed and that the Bylaw have only one tax rate for General Municipal; and

THAT it be recommended to Council that staff bring a report to the evening meeting comparing business tax rates for similar municipalities; and

THAT staff change the Property Tax Class Multiple for recreation/non-profit to equal the Residential Tax Class Multiple at 1.000 for purposes of preparing the 2017 Tax Rate Bylaw.

CARRIED

C. Lions Bay Beach Washrooms 2018 – Councillor McLaughlin Verbal Report

Councillor McLaughlin stated that the beach park needs a lot of work and is unaware of what the cost would be to have it finished by the spring of 2018 and opening Canada Day and deferred to the Public Works Manager. Staff will come back with a consultation plan after looking into some options by summer.

Moved/Seconded

THAT it be recommended to Council that staff provide a consultation plan for the Beach Park upgrades by the first meeting in June.

CARRIED

9. Public Questions & Comments

None

10. Adjournment

Moved/Seconded

THAT the meeting be adjourned.

CARRIED

The meeting was adjourned at 5:04 p.m.

Mayor

Corporate Officer

Date Approved by Council:	
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Direct Line: 604-443-4716

E-mail: bcox@bdo.ca

April 27, 2017

Mayor and Council
Village of Lions Bay
400 Centre Road
Lions Bay, BC V0N 2E0

Dear Mayor and Council Members:

We are pleased to present the report on the results of our audit of the financial statements of the Village of Lions Bay (the "Village") for the year ended December 31, 2016. The purpose of this report is to summarize certain aspects of the audits that we believe to be of interest to the Mayor and Council and should be read in conjunction with the draft financial statements and our draft audit report which is included as Appendix A.

We would like to bring to your attention that our audit and therefore this report will not necessarily identify all matters that may be of interest to the Mayor and Council in fulfilling its responsibilities.

This report has been prepared solely for the use of the Mayor and Council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our sincere appreciation for the co-operation we received during the audit from the Village's management and staff who have assisted us in carrying out our work. We look forward to connecting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

Bill Cox, FCPA, FCA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

BC/mkn



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EXECUTIVE SUMMARY

Audit Findings	<p>Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement.</p> <p>We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement. The scope of the work performed was substantially the same as that described in our Planning Report to the Mayor and Council dated November 24, 2016.</p> <p>A detailed description of our audit findings has been included on page 6.</p>
Status of Audit	<p>As of the date of this report, we have substantially completed our audit of the yearend financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the financial statements:</p> <ul style="list-style-type: none"> • Receipt of the signed management representation letter • Receipt of outstanding legal confirmation updates • Subsequent events review through to financial statement approval date • Approval of financial statements by the Council
Audit Risks	<p>In accordance with our audit plan, our procedures focused on the following areas that we identified as areas of audit focus:</p> <ul style="list-style-type: none"> • Management override of controls • Recognition of revenue • Tangible capital assets and accumulated amortization • Employee future benefits • Staff salaries • Cash and investments <p>We have summarized the results of our audit procedures for each of these areas of focus in this report.</p>
Internal Control Over Financial Reporting	<p>We did not identify any significant deficiencies in internal controls over financial reporting during the year ended December 31, 2016 that we considered to be material weaknesses.</p>
Fraud and Illegal Activities	<p>We developed procedures within our audit plan as recommended by CAS 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements. Based on these procedures, we have not encountered any illegal activities or fraudulent events with respect to the Village.</p>



Significant Events	As of the date of this letter, we have not identified any significant events which we believe should be brought to your attention.
Significant Accounting Policies	The client's significant accounting policies are listed in the financial statements. We believe management's selection of accounting policies is appropriate under the Canadian Public Sector Accounting Standards (PSAS).
Estimates	<p>Accounting estimates are an integral part of the financial statements and are based on management's current judgments. These judgments are based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.</p> <p>No significant estimates were noted in the current year.</p>
Materiality, Audit Adjustments and Unadjusted Differences	<p>Our final materiality level of \$54,000 did not change from our planning materiality in our audit planning letter dated November 24, 2016.</p> <p>There are three unadjusted misstatements for the year ended December 31, 2016 that we noted.</p> <p>There was one adjustment recorded by management as a result of our audit.</p>
Disclosures	<p>There are no material omissions with respect to the disclosures in the financial statements for the year ended December 31, 2016 that we have noted.</p> <p>We confirmed our independence to the Board for the year ended December 31, 2016 in our Planning Report Dated November 24, 2016.</p>
Independence	We confirm that we are still independent as of the date of this letter.
Representation Letter	A draft version of the representation letter to be signed by management is included in Appendix C.
Conclusion	We intend to issue an unmodified audit report on the financial statements for the year ended December 31, 2016 once the outstanding items referred to above are satisfactorily resolved and the financial statements are approved the Council.



INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to the Council at least annually, all relationships between BDO Canada LLP and its related entities and the Village, that, in our professional judgment, may reasonably be thought to bear on our independence with respect to the audit of the Village.

Our annual letter confirming our independence was previously provided to you. We know of no circumstances that would cause us to amend the previously provided letter.

MATERIALITY

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As communicated to you in our Planning Report to the Village, preliminary materiality was \$54,000. Final materiality remained unchanged from our preliminary assessment.

AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Village's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters will be discussed verbally with you. A summary of the key discussion points are as follows:

AUDIT RISK AREAS

Management Override of Controls

Risk	Approach	Results
<p>Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>[This risk is required for all audits pursuant to Canadian audit standards.]</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>



Revenue Recognition

Risk	Approach	Results
<p>Accounting standards have changed in this area over the years and are complex and open to interpretation. There is a risk that revenue may be incorrectly recorded in the current period or deferred into future periods.</p>	<p>Verified a sample of deferred revenue balances by examining supporting documentation to validate the accounting treatment.</p> <p>Reviewed grant agreements to ensure that grant is being recognized in accordance with revenue recognition standards.</p> <p>Reviewed minutes to determine whether any contributions received should be deferred and whether any grants had not yet been recorded.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>

Tangible Capital Assets and Accumulated Amortization

Risk	Approach	Results
<p>With continuous changes in technology and innovation, the useful lives of tangible capital assets owned by the Village will need to be re-evaluated to determine if they are still accurate. This involves a high level of estimation and coordination of the finance department with other departments.</p>	<p>We have performed substantive testing of additions and disposals in the year and amortization calculations. Useful lives of existing assets will be reviewed for changes in estimates, if applicable.</p> <p>Repairs and maintenance ledgers have also be reviewed for possible capital items that have been expensed.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>



Employee Future Benefits

Risk	Approach	Results
<p>Since the Village does not have an actuary to evaluate its sick pay liability there is a risk that the accrued liability at year end is not appropriately accounted for at year end.</p>	<p>We recalculated the amount accrued at year end, confirmed rates used for calculation, and reviewed the underlying data to determine overall reasonableness of accrued liability.</p>	<p>Consistent with findings in prior years, the Village is accruing for the entire amount of sick pay. However, this would overstate the liability as it is not expected that all employees will use all of the sick time in future periods.</p> <p>The estimated amount of sick time payable in the current year has been accounted for in Appendix D - Unadjusted Differences.</p>

Staff Salaries

Risk	Approach	Results
<p>A significant single type of expenditure that cover many employees and departments. As a municipality, this figure is often of particular interest to financial statement users (taxpayers).</p>	<p>We applied computer audit testing to analyze all payroll transactions in the year.</p> <p>We also performed analytical review of staff salaries.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p> <p>Please see operational improvement points over payroll review in the attached management letter.</p>

Cash and Investments

Risk	Approach	Results
<p>Due to its nature, cash and investments are almost always considered to be a risk area in any audit.</p>	<p>We reviewed the year end reconciliations and obtained third party confirmations.</p>	<p>All audit testing in this area was executed as planned and no errors were noted.</p>



SIGNIFICANT ACCOUNTING ESTIMATES

Management is responsible for determining the Village's significant accounting policies. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the organization. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the estimates in the financial statements are reasonable and the disclosures relating to accounting estimates are in accordance with PSAS.

UNADJUSTED DIFFERENCES

We have disclosed all significant adjusted and unadjusted differences and disclosure omissions identified through the course of our audit engagement. Each of these items has been discussed with Management.

For purposes of our discussion, a summary of adjusted and unadjusted differences and disclosure omissions has been presented in Appendix D.

MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

A copy of the representation letter we have requested from management is included in Appendix C.



FRAUD DISCUSSION

Canadian auditing standards require us to discuss fraud risk with Council on an annual basis. We discussed it in our Planning Report dated November 24, 2016. Currently, we are not aware of any actual, suspected or alleged fraud. If you are aware of any instances of actual, suspected or alleged fraud affecting the Village since the date of our previous discussion, please advise us during our upcoming meeting, or contact the audit partner directly at bcox@bdo.ca.

Required Discussion	BDO Response	Question to Council
Details of existing oversight processes with regards to fraud.	Based on our discussions during the planning of our audit, the Mayor and Council's oversight processes include: <ul style="list-style-type: none"> • Annual Council meeting with management to discuss fraud • Discussions at regular Council meetings and our attendance at some of those meetings; • Review of related party transactions; and • Consideration of tone at the top. 	Are there any new processes or changes in existing processes relating to fraud since the date of our previous discussions, that we should be aware of?
Knowledge of actual, suspected or alleged fraud.	Currently, we are not aware of any actual, suspected or alleged fraud.	Are you aware of any instances of actual, suspected or alleged fraud affecting the Village?

AUDITOR'S RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

The scope of the work performed was substantially the same as that described in our Planning Report to the Mayor and Council dated November 24, 2016.



INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Village's internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining, the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the Village's financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We have not identified any significant deficiencies in internal controls. Please see the attached Management Letter in Appendix E for operational improvement observations.



OTHER REQUIRED COMMUNICATIONS

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the table below summarizes these additional required communications.

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
1. Our responsibilities under Canadian Auditing Standards (CAS)	✓		Included in our engagement letter dated December 21, 2016
2. Our audit strategy and audit scope	✓		Included in our Planning Report dated November 24, 2016
3. Fraud risk factors	✓		Included in our Planning Report dated November 24, 2016
4. Going concern matters		✓	None.
5. Significant estimates or judgments		✓	None.
6. Audit adjustments		✓	See Appendix D
7. Unadjusted differences		✓	See Appendix D
8. Omitted disclosures		✓	None noted.
9. Disagreements with management		✓	There were no disagreements with management.
10. Consultations with other accountants or experts		✓	No external experts were consulted during this engagement.
11. Major issues discussed with management in regards to retention		✓	None.
12. Significant difficulties encountered during the audit		✓	No significant difficulties were encountered during our audit.
13. Significant deficiencies in internal control		✓	No significant deficiencies were noted.
14. Material written communication between BDO and management		✓	No material written communications were noted.
15. Any relationships which may affect our independence	✓	✓	No independence issues noted.



Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
16. Any illegal acts identified during the audit		✓	No illegal activities identified through the audit process.
17. Any fraud or possible fraudulent acts identified during the audit	✓	✓	No fraud identified through the audit process.
18. Significant transactions with related parties not consistent with ordinary business operations		✓	None noted.
19. Non-compliance with laws or regulations identified during the audit		✓	No legal or regulatory non-compliance matters were noted as part of our audit.
20. Limitations of scope over our audit, if any		✓	None.
21. Written representations made by management		✓	See Appendix C.
22. Any modifications to our opinion, if required		✓	Please see our draft independent auditor's report included in Appendix A.



BDO RESOURCES

BDO is one of Canada's largest accounting services firms providing assurance and accounting, taxation, financial advisory, risk advisory, financial recovery and consulting services to a variety of publicly traded and privately held companies.

BDO serves its clients through 105 offices across Canada. As a member firm of BDO International Limited, BDO serves its multinational clients through a global network of over 1,100 offices in more than 100 countries. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

Outlined below is a summary of certain BDO resources which may be of interest to the Council.

PUBLICATIONS

- [PSAS New or Amended Standards Checklist for December 31, 2016 and March 31, 2017 Year Ends](#)
- [PSAS Update - September 2016](#)

TAX BULLETINS, ALERTS AND NEWSLETTERS

BDO's national tax department issues a number of bulletins, alerts and newsletters relating to corporate federal, personal, commodity, transfer pricing and international tax matters.

For additional information on tax matters and links to archived tax publications, please refer to the following link: [Tax Library | BDO Canada](#).



APPENDIX A - Draft Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councilors of the Village of Lions Bay

We have audited the accompanying financial statements of the Village of Lions Bay, which comprise the Statement of Financial Position as at December 31, 2016, the Statement of Operations, Statement of Changes in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Chartered Professional Accountants

Vancouver, British Columbia
AUDIT REPORT DATE



APPENDIX B - Independence Update

April 27, 2017

Mayor and Council
Village of Lions Bay
400 Centre Road
Lions Bay, BC V0N 2E0

Dear Members of Council:

We have been engaged to audit the financial statements of the Village of Lions Bay (the "Village") for the year ended December 31, 2016.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the City and our firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Chartered Professional Accountants BC and applicable legislation, covering such matters as:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since November 24, 2016, the date of our last letter.

We are not aware of any relationships between the City and our firm that, in our professional judgment may reasonably be thought to bear on independence that have occurred from November 24, 2016 to the date of this letter.

We hereby confirm that we are independent with respect to the City within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia as of the date of this letter.



This letter is intended solely for the use of the Council, Management and others within the Village and should not be used for any other purposes.

Yours truly,

A handwritten signature in black ink that reads 'Bill Cox'. The signature is written in a cursive, flowing style.

Bill Cox, FCPA, FCA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

BC/mkn



APPENDIX C - Representation Letter

May 2, 2017

BDO Canada LLP
Chartered Professional Accountants
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2

This representation letter is provided in connection with your audit of the financial statements of the Village of Lions Bay for the year ended December 31, 2016, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated December 21, 2016, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the auditors during the audit.



Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.



Existence, Completeness and Valuation of Specific Financial Statement Balances

- All financial instruments have been appropriately recognized and measured in accordance with Canadian public sector accounting standards.
- Significant assumptions used in arriving at the fair value of financial instruments are reasonable and appropriate in the circumstances.
- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
- The inventories as set out in the financial statements represent all of the inventories to which the entity held title as at the balance sheet date. Inventories do not include any goods consigned to the entity, merchandise billed to customers or any items for which the liability has not been provided in the books.
- The employee future benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with Canadian public sector accounting standards. The source data and plan provisions provided are complete and accurate. The plans included in the valuation are complete. The determination of the discount rate and the use of specific actuarial assumptions are our best estimate assumptions. We feel that the extrapolations are accurate and have properly reflected the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

General Representations

- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the municipality, except as disclosed in the financial statements.
- We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel. When applicable, these claims have been appropriately disclosed in the financial statements.
- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- We have disclosed to you all significant customers and/or suppliers of the municipality who individually represent a significant volume of business with the municipality. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the municipality with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the municipality.



- There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We confirm that operating segments are appropriately identified and disclosed in accordance with Canadian public sector accounting standards.
- No significant matters, other than those disclosed in the financial statements, have arisen that would require a restatement of the comparative financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.

Yours truly,

Signature

Position



APPENDIX D - Unadjusted Differences

SUMMARY OF UNADJUSTED DIFFERENCES

The following is a summary of uncorrected misstatements noted during the course of our audit engagement:

	Increase (Decrease)			
	Assets	Liabilities	Accumulated Surplus	Annual Surplus
<i>To accrue interest expense on debt.</i>				
Dr. Accumulated surplus			\$ (10,316)	
Cr. Accrued liabilities		\$ 10,247		
Cr. Interest expense				\$ 69
<i>To adjust overstatement of employee sick pay accrual</i>				
Dr. Accrued liabilities		\$ (28,938)		
Cr. Accumulated surplus			\$ 17,151	
Cr. Payroll expense				\$ 11,787
<i>To reclassify accrued liabilities recorded as credits against cash.</i>				
Dr. Cash	\$ 10,183			
Cr. Accrued liabilities		\$ 10,183		
Total Unadjusted Differences	\$ 10,183	\$ (8,508)	\$ 6,835	\$ 11,856



SUMMARY OF ADJUSTED DIFFERENCES

The following is a summary of corrected misstatements noted during the course of our audit engagement:

	Increase (Decrease)			
	Assets	Liabilities	Accumulated Surplus	Annual Surplus
<i>To adjust for cancelled cheques.</i>				
Dr. Accounts Payable		\$ (1,036)		
Cr. Cash	\$ 1,036			
<i>To reclassify bad debt expense from revenue.</i>				
Dr. Operating Expense				\$ (3,552)
Cr. Revenue				\$ 3,552
Total Adjusted Differences	\$ 1,036	\$ (1,036)	\$ -	\$ -

SUMMARY OF DISCLOSURE OMISSIONS

The following is a summary of disclosures that have not been made within the financial statements:

Disclosure Omission	Management's Response
None to note	None to note



APPENDIX E - Management Letter

Direct Line: 604-443-4716
E-mail: bcox@bdo.ca

April 27, 2017

Ms. Pamela Rooke, CPA, CMA
Chief Financial Officer
Village of Lions Bay
400 Centre Road
Lions Bay, BC V0N 2E0

Dear Ms. Rooke:

As your external auditors, we are engaged to provide an audit opinion on your yearend financial statements. An external audit requires testing of transactions and balances and review of those internal control systems upon which we may place reliance. A positive opinion on the financial statements does not necessarily mean that your internal control systems are all operating effectively. This is because we review only those internal control systems where we feel that failure in those systems could result in a material error on the financial statements. With those systems that we do review, our focus is on the assertions necessary to meet our financial statement audit objectives.

Our review of systems, transactions and balances as well as discussions with staff at various levels gives us a unique insight into your operations. While conducting this work we make note of items that come to our attention where we feel that improvement could be made or alternatives could be considered. We are fortunate in that we work with a great number of clients and observe a wide variety of processes. We see firsthand any procedures that are emerging as best practices.

As matters come to our attention, we make note of these for subsequent follow-up. For minor matters we discuss directly with the staff involved. More important matters are brought forward in this letter (known as a management letter).

It is worth noting that we have management letter comments for virtually all audits of all clients. The existence of points does not mean that there are significant problems with your systems or staff. They are just recommendations to make good systems better.



Status of Prior Year Recommendations

1. Approval of Timesheets

To ensure that employees are being paid fairly for time worked and payroll expenses are accurate, we recommended that all timesheets should be reviewed and approved by the employee's respective supervisor for each pay period. This recommendation was made in 2014 and 2015.

In 2016, we also observed timesheets that were not signed off by supervisors, as well as payroll reports that had no documented evidence of review and approval. As such, we continue to recommend that all timesheets are physically signed off as evidence of review. Public works staff timesheets should be approved by the public works manager, administrative staff timesheets should be approved by CAO, and the CAO's timesheet should be approved by CFO.

We further recommend that all payroll reports be reviewed and signed off by the CFO.

Management 2016 update:

During 2016, we implemented an approval process where the Public Works staff's timesheets are approved by the Public Works manager; the administrative staff's timesheets and the managers' timesheets are approved by the CAO; and the CAO's timesheet is approved by the CFO. In addition, the bi-weekly payroll reports are reviewed and signed off by the CFO.

2. Approval of Expenses

During the 2015 audit, we noted that the fire department spent \$34,668 on expenditures that were unauthorized, not budgeted for, and were not approved by Council prior to the purchases.

We recommended that purchase orders (PO's) or other appropriate approvals be prepared prior to ordering goods and services. The approvals should include review and approval by either the CFO or CAO. These changes would improve internal control as well as budget management.

Management 2016 update:

Staff are currently working with the Fire Chief to implement purchase order (PO) procedures which require the issuance of a PO approved by the Fire Chief or the CFO prior to the ordering of goods and services. There were no unauthorized burn building purchases made in 2016.



Current Year Observations

1. Bank Reconciliations

During our work over cash, we noted that the same individual prepares and reviews the bank reconciliation. As the monthly bank reconciliation is a key control over fraud and misappropriation of cash, appropriate segregation of duty should be practiced.

We recommend that the bank reconciliation be performed by a member of the administration staff and reviewed by the CFO in a timely manner.

Management response:

Due to the small size of the Village office, there are only two finance staff. The Municipal Accountant prepares the accounts payable cheques and posts the deposits, so for segregation of duties, the CFO completes the bank reconciliations. In 2017, we will implement a policy that requires the bank reconciliations to be signed off by the CAO.

2. Receipting of Revenue Transactions

During our work over revenues, we noted certain revenue transactions, such as hall rentals and silent auctions, were not receipted. There is a risk that revenue amounts are not completely or accurately recorded without supporting documentation. Further, there is a risk that a customer may dispute amounts paid to the Village if a receipt is not issued.

We recommend that all revenue transactions be receipted. No cash amounts should be received by the Village without a pre-numbered receipt being issued to a customer.

Management response:

Management will review the cash receipts procedures with staff to ensure that all revenue transactions are receipted and will work with the fire department to ensure that adequate backup is received for the silent auction purchases made during the 2017 Fire Fighters Day.

While our audit did not reveal any significant misstatements or irregularities, it is important to understand that our audit procedures are designed specifically to gather sufficient and appropriate audit evidence to support our opinion on the financial statements and would not necessarily uncover all errors or fraud, if present.

This communication is prepared solely for the information of management and those charged with governance and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the co-operation and assistance which we received from you and your staff during the course of the audit.



We are pleased to discuss with you further any matters mentioned in this letter at your convenience.

Yours truly,

A handwritten signature in black ink that reads 'Bill Cox'. The signature is written in a cursive style with a large, prominent 'B'.

Bill Cox, FCPA, FCA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

BC/mkn

cc: Council

**Village of Lions Bay
Financial Statements
For the year ended December 31, 2016**

DRAFT

**Village of Lions Bay
Financial Statements
For the year ended December 31, 2016**

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Management's Responsibility for the Financial Statements

The accompanying financial statements of the Village of Lions Bay (the "Village") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in the summary of significant accounting policies which proceed the notes 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 Village'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 BDO Canada LLP, independent external auditors appointed by the Village. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Village's financial statements.

Pamela Rooke, CPA, CMA
Chief Financial Officer

Peter DeJong
Chief Administrative Officer

May x, 2017

**To the Mayor and Councilors of the
Village of Lions Bay**

We have audited the accompanying financial statements of the Village of Lions Bay, which comprise the Statement of Financial Position as at December 31, 2016, the Statements of Operations, Change in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies, and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Chartered Professional Accountants

Vancouver, British Columbia

May x, 2017

**Village of Lions Bay
Statement of Financial Position**

December 31	2016	2015
Financial Assets		
Cash and cash equivalents	\$ 2,185,685	\$ 1,544,870
Accounts receivable	244,295	232,271
Grants receivable	33,588	208,158
	2,463,568	1,985,299
Liabilities		
Accounts payable	285,778	326,514
Sick, overtime, wellness and vacation payable	86,518	52,334
Deferred revenue (Note 1)	25,217	26,415
Developer deposits (Note 2)	126,000	117,000
Capital lease obligation (Note 3)	52,320	87,300
Long- term debt (Note 4)	1,197,868	1,276,495
	1,773,701	1,886,058
Net Financial Assets	689,867	99,241
Non-Financial Assets		
Tangible capital assets (Schedule 3)	19,665,444	19,997,760
Prepaid expenses	2,039	8,348
	19,667,483	20,006,108
Accumulated Surplus (Note 9)	\$ 20,357,350	\$ 20,105,349

Contingent liabilities and commitments (Note 6)

Pamela Rooke CPA, CMA
Chief Financial Officer

Karl Buhr
Mayor

**Village of Lions Bay
Statement of Operations**

For the year ended December 31	Financial Plan		
	2016	2016	2015
	(Note 7)		
Revenue (Schedule 1 & 2)			
Taxation (Note 5)	\$ 1,410,612	\$ 1,407,804	\$ 1,518,730
Utility user rates	1,033,030	1,031,686	676,322
Government transfers	707,613	530,322	707,698
Sale of services	93,835	110,746	108,657
Other revenues	87,205	132,654	132,784
Loss on disposal of tangible capital assets	-	(15,285)	-
	<u>3,332,295</u>	<u>3,197,927</u>	<u>3,144,191</u>
Expenses (Schedules 1 & 2)			
General departmental expenses	2,191,158	2,044,564	1,975,037
Water system operations	981,249	816,450	1,072,012
Sewer system operations	109,593	84,912	79,883
	<u>3,282,000</u>	<u>2,945,926</u>	<u>3,126,932</u>
Annual Surplus	50,295	252,001	17,259
Accumulated Surplus , beginning of year	<u>20,105,349</u>	<u>20,105,349</u>	<u>20,088,090</u>
Accumulated Surplus , end of year	<u>\$ 20,155,644</u>	<u>\$ 20,357,350</u>	<u>\$ 20,105,349</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Village of Lions Bay
Statement of Change in Net Financial Assets

For the year ended December 31	Financial Plan 2016	2016	2015
	(Note 7)		
Annual surplus	\$ 50,295	\$ 252,001	\$ 17,259
Change in Tangible Capital Assets			
Acquisition of tangible capital assets	(569,312)	(173,191)	(266,230)
Amortization of tangible capital assets	553,787	490,222	513,892
Loss on disposals of tangible capital assets	-	15,285	-
	(15,525)	332,316	247,662
Change in Other Non-Financial Assets			
Net use of prepaid expenses	-	6,309	5,728
Change in net financial assets for the year	34,770	590,626	270,649
Net financial assets (debt), beginning of year	99,241	99,241	(171,408)
Net financial assets, end of year	\$ 134,011	\$ 689,867	\$ 99,241

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Village of Lions Bay
Statement of Cash Flows**

For the year ended December 31	2016	2015
Cash provided by (used in)		
Operating transactions		
Annual surplus	\$ 252,001	\$ 17,259
Items not involving cash		
Amortization expense	490,222	513,892
Loss on disposal of tangible capital assets	15,285	-
Changes in non-cash operating balances		
Accounts receivable	(12,024)	41,204
Grants receivable	174,570	(200,241)
Developer deposits	9,000	9,500
Deferred revenue	(1,198)	11,415
Accounts payable	(40,736)	(19,619)
Sick, overtime, wellness and vacation payable	34,184	9,393
Prepaid expenses	6,309	5,728
	<u>927,613</u>	<u>388,531</u>
Capital transactions		
Cash used to acquire tangible capital assets	(173,191)	(266,230)
Financing transactions		
Repayment of capital lease obligation	(34,980)	(33,947)
Repayment of long-term debt principal	(78,627)	(75,681)
	<u>(113,607)</u>	<u>(109,628)</u>
Increase (decrease) in cash and equivalents during the year	640,815	12,673
Cash and equivalents, beginning of year	1,544,870	1,532,197
Cash and equivalents, end of year	\$ 2,185,685	\$ 1,544,870
Supplemental information:		
Interest paid on long-term debt	\$ 90,241	\$ 91,561

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Village of Lions Bay Summary of Significant Accounting Policies

December 31, 2016

The Village of Lions Bay ("The Village") is a municipality in the province of British Columbia operating under the provisions of the Community Charter. The Village provides a wide range of services to the residents such as parks and recreation, fire and rescue, general government services, solid waste collection, and maintenance of roads, storm drainage, water and sewer infrastructure and facilities. The Village prepares its financial statements in accordance with Canadian public sector accounting standards using guidelines developed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada.

Basis of Accounting The basis of accounting followed in these financial statements is an accrual method and includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenses in the period the goods and services are acquired and a liability is incurred.

The financial statements include the accounts of all funds of the Village. Interfund transactions and balances have been eliminated.

**Cash and
Cash Equivalents**

Cash and cash equivalents include bank balances and bank term deposits or guaranteed income certificates with duration of less than three months. All amounts are held at Canadian chartered banks and are denominated in Canadian dollars.

**Tangible Capital
Assets**

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is put into use. Contributed tangible capital assets are recorded at fair value at the time of the contribution.

Estimated useful lives of tangible capital assets are as follows:

Land improvements	7 to 40 years
Buildings	20 to 50 years
Storm Sewer	25 to 50 years
Equipment, furniture, and vehicles	5 to 20 years
Infrastructure - water	5 to 80 years
Infrastructure - sewer	5 to 100 years
Roads	10 to 60 years
Other	5 to 60 years

Village of Lions Bay Summary of Significant Accounting Policies

December 31, 2016

Revenue Recognition

Taxes are recorded when they meet the definition of an asset, have been authorized and the taxable event occurs. Taxes receivable are recognized net of allowance for anticipated uncollectible amounts.

Through the British Columbia Assessments appeal process, taxes may be adjusted by way of supplementary roll adjustments. The effects of these adjustments on taxes are recognized at the time they are awarded. Levies imposed by other taxing authorities, including the Greater Vancouver Regional District, are not included as taxes for municipal purposes.

Charges for sewer, water usage and solid waste collection are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Government transfers, which include legislative grants, are recognized in the financial statements when received if the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Government transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Sales of service and other revenue is recognized on an accrual basis.

Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Village and the obligation, including interest thereon, is repaid over the term of the lease. All other leases are accounted for as operating leases and the rental costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. A significant area requiring management estimates relates to the useful life of tangible assets for amortization calculations.

Village of Lions Bay
Summary of Significant Accounting Policies

December 31, 2016

Financial Instruments The Village's financial instruments consist of cash and equivalents, accounts receivable, grant receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the Village is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Deferred Revenue Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.

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

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

1. an environmental standard exists;
2. contamination exceeds the environmental standard;
3. the Authority is directly responsible or accepts responsibility;
4. it is expected that future economic benefits will be given up; and
5. a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. There is no liability for contaminated sites recorded as at December 31, 2016 or 2015.

Village of Lions Bay
Notes to Financial Statements

December 31, 2016

1. Deferred Revenue

	2016	2015
Restricted cash donation	\$ 1,000	\$ 1,000
Prepaid taxes	24,217	25,415
	\$ 25,217	\$ 26,415

2. Developer Deposits

Bylaw 330 requires an applicant for certain building permits to pay a damage deposit of \$1,500 when the work is under \$50,000 and \$3,000 when the work is over \$50,000. The deposit less any costs incurred by the Village in restoring or replacing any damaged works or property will be returned to the applicant. The total cash on deposit of \$126,000 (2015 - \$117,000) has been reported as a liability because the deposits will be returned to the applicants at the completion of the project. Any portion of these deposits used for replacing damaged works or property will be taken into income by the Village in the period it is determined that restoration or replacement is required.

3. Capital Lease Obligation

During 2013, the Village entered into three vehicle lease obligations with future payments requirements as follows:

2017	\$ 37,120
2018	16,408
Total future minimum lease payments	53,528
Less: Imputed interest at 5.38%	(1,208)
Present value of minimum lease payments	\$ 52,320

Village of Lions Bay
Notes to Financial Statements

December 31, 2016

4. Long-term Debt

Loan Authorization Bylaw No. 353 was adopted on January 20th, 2005 and gave approval for the Village to borrow up to \$250,000 to assist in providing water services to the specified area of Brunswick Beach whose owners had opted to finance their share of costs over twenty years through a local parcel tax. The actual amount of the loan honoured was \$114,000. The interest rate is 5.1% and the debt matures in 2025. The balance outstanding under this bylaw at year-end was \$58,427 (2015 - \$64,139).

Loan Authorization Bylaw No. 401 and 374 were respectively adopted on June 2, 2008 and September 19, 2006 and gave approval for the Village to borrow up to \$800,000 and \$600,000 to assist in providing construction improvements to the water system servicing the Village of Lions Bay. The interest rate is 5.15% and the debt matures in 2028. The balance outstanding under the bylaws at year-end was \$966,798 (2015 - \$1,028,666).

Loan Authorization Bylaw No. 380 was adopted on September 19, 2006 and gave approval for the Village to borrow up to \$1,300,000 to assist in providing construction improvements to the Village of Lions Bay road system. In 2008, Council reduced the approved borrowing for the bylaw to \$500,000 and \$250,000 was borrowed. The interest rate is 5.15% and the debt matures in 2028. The balance outstanding under this bylaw at year-end was \$172,643 (2015 - \$183,690).

Repayments of debt to the Municipal Finance Authority of BC (MFABC) required in the next five years and thereafter are as follows:

2017	\$	81,690
2018		84,872
2019		88,180
2020		91,618
2021		95,191
Thereafter		756,317
		<u>1,197,868</u>
	\$	<u>1,197,868</u>

Village of Lions Bay
Notes to Financial Statements

December 31, 2016

5. Taxation

	Financial Plan		
	2016	2016	2015
	(Note 7)		
General purposes	\$ 1,374,680	\$ 1,371,873	\$ 1,227,484
Collections for other tax authorities			
School Taxes - Province	-	731,816	685,988
RCMP	-	124,250	112,386
Regional District	-	41,983	38,155
Greater Vancouver Transportation Authority	-	194,440	184,570
Municipal Finance Authority	-	136	115
British Columbia Assessment Authority	-	37,184	34,598
	<u>1,374,680</u>	<u>2,501,682</u>	<u>2,283,296</u>
Transfers to other tax authorities			
School Taxes - Province	-	731,816	685,988
RCMP	-	124,250	112,386
Regional District	-	41,983	38,136
Greater Vancouver Transportation Authority	-	194,440	184,570
Municipal Finance Authority	-	136	115
British Columbia Assessment Authority	-	37,184	34,598
	<u>-</u>	<u>1,129,809</u>	<u>1,055,793</u>
Available for general purposes	1,374,680	1,371,873	1,227,503
Water utility parcel taxes	10,585	10,585	267,087
Sewer utility parcel taxes	25,347	25,346	24,140
	<u>\$ 1,410,612</u>	<u>\$ 1,407,804</u>	<u>\$ 1,518,730</u>

Village of Lions Bay
Notes to Financial Statements

December 31, 2016

6. Contingent Liabilities and Commitments

- (i) The Village is responsible as a member of the Greater Vancouver Regional District for its portion of any operating deficits or capital debt related to functions in which it participates.
- (ii) The Village is a participant in the Municipal Insurance Association of British Columbia (the "Association"). Should the Association pay out claims in excess of the premiums received, it is possible that the Village, along with the other participants, would be required to contribute towards the deficit. Management does not consider external payments under this contingency to be likely and therefore no amounts have been accrued.
- (iii) The Village is a shareholder and member of the Emergency Communications for British Columbia Incorporated ("E-Comm") whose services provided include: regional 9-1-1 call centre; Wide Area Radio network, dispatch operations; and records management. The Village has 1 Class A Share (Police and Fire) and no Class B Shares (Operations) (of a total of 28 Class A and 23 Class B shares issued and outstanding as at December 31, 2016) recorded at nominal cost. As a Class A shareholder, the Village shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.
- (iv) Under borrowing arrangements with MFA, the Village 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 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 City. The balance of the deposits and contingent demand notes are not included in the financial statements of the Village.
- (v) The Village is the subject to litigation in regard to employment matters. In addition, the Village is from time to time involved in other lawsuits. The Village vigorously defends any such claims. At December 31, 2016 there is not sufficient information available to allow the Village to make a reasonable estimate of the potential for loss, if any, resulting from outstanding matters. Accordingly, these financial statements contain no provision for such amounts. Amounts will be recorded in the financial statements in the period in which additional information becomes available that allows a reasonable estimate to be made.

Village of Lions Bay
Notes to Financial Statements

December 31, 2016

7. Financial Plan

Financial plan amounts represent the Financial Plan Bylaw adopted by Council on May 10, 2016 with adjustments for items accounted for differently under PSAB accounting standards.

The Financial Plan Bylaw anticipated use of surpluses accumulated in previous years to balance against current year expenditures in excess of current year revenues. In addition, the Financial Plan Bylaw anticipated capital expenditures rather than amortization expense and repayment of debt during the year.

The following shows how these amounts were combined:

	2016
Financial Plan Bylaw surplus for the year	\$ -
Add back:	
Capital expenditures	569,312
Repayment of Debt	96,102
MFA Actuarial Gain on Debt	17,506
Less:	
Budgeted transfers from accumulated surplus	(78,838)
Amortization	(553,787)
	\$ 50,295

8. Pension Plan

The employer 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 governments.

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.

Village of Lions Bay
Notes to Financial Statements

December 31, 2016

8. Pension Plan (con't)

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

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

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

The Village paid \$52,723 (2015 - \$48,052) for employer contributions while employees contributed \$52,918 (2015 - \$49,250) to the plan in fiscal 2016.

9. Accumulated Surplus

The components of accumulated surplus are as follows:

	2016	2015
Invested in tangible capital assets	\$ 18,415,256	\$ 18,633,965
Reserve funds	783,555	719,567
Unrestricted amounts	1,158,539	751,817
	\$ 20,357,350	\$ 20,105,349

The increase in reserve funds in the current year of \$63,988 represents the receipt of \$56,451 of unrestricted funds for Gas Tax Funding with the balance of \$7,537 representing interest credited to reserve funds for the year.

10. Segmented Information

The Village is a diversified municipal government institution that provides a wide range of services to its residents such as parks and recreation, maintenance of roads, fire and rescue, sewer and water utilities and solid waste collection. Key functional segments have been separately disclosed in Schedule 1. Following is a brief description of these segments and the activities they provide:

Village of Lions Bay
Notes to Financial Statements

December 31, 2016

10. Segmented Information (con't)

General Government

This segment relates to the general administration of the Village. It also includes revenues and expenses such as property tax revenues, legal costs, etc. that cannot be directly attributed to a specific segment.

Protective Services

Protective Services is comprised of fire and rescue services, bylaw enforcement and emergency services. The fire and rescue department is responsible for providing fire suppression service, fire prevention programs, training and education and highway call-out services. The members of the fire department are volunteer fire fighters.

Public Works Operation

Public works and transportation is responsible for the maintenance of roads, storm drainage, water and sewer infrastructure and building facilities.

Solid Waste Collection

Solid waste collection consists of recycling services and waste collection.

Planning and Development

This segment includes building inspection, zoning and community planning such as land use master plan.

Recreational and Cultural Services

This service area provides services meant to improve the health and development of the residents. They include recreation programs in the community centre, maintenance of trails, parks and beaches.

11. Comparative Figures

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Village of Lions Bay
Schedule 1 - Combined Statement of Operations by Segment

For the year ended December 31, 2016

	General Government	Protective Services	Public Works Operation	Solid Waste Collection	Planning and Development	Park Recreation and Culture	Water Utility	Sewer Utility	2016 Actual	2016 Financial Plan
										(Note 7)
Revenues										
Taxation	\$ 1,371,873	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,585	\$ 25,346	\$ 1,407,804	\$ 1,410,612
Utility user rates and connection fees	-	-	-	199,999	-	-	786,865	44,822	1,031,686	1,033,030
Government transfers	352,823	-	-	-	-	4,527	172,972	-	530,322	707,613
Sales of services	5,167	45,779	1,975	112	32,955	24,758	-	-	110,746	93,835
Other revenues	47,717	69,990	-	-	-	-	14,347	600	132,654	87,205
Loss on disposal of tangible capital assets	(15,285)	-	-	-	-	-	-	-	(15,285)	-
	1,762,295	115,769	1,975	200,111	32,955	29,285	984,769	70,768	3,197,927	3,332,295
Expenses										
Operating										
Goods and services	160,968	176,532	149,704	198,645	21,082	70,024	326,564	40,226	1,143,745	1,425,064
Labour	502,789	117,875	171,882	-	45,171	105,318	263,722	14,961	1,221,718	1,212,908
Amortization	309,558	-	-	-	-	-	150,939	29,725	490,222	553,787
	973,315	294,407	321,586	198,645	66,253	175,342	741,225	84,912	2,855,685	3,191,759
Interest	-	-	15,016	-	-	-	75,225	-	90,241	90,241
	973,315	294,407	336,602	198,645	66,253	175,342	816,450	84,912	2,945,926	3,282,000
Excess (deficiency) in revenues over expenses	\$ 788,980	\$ (178,638)	\$ (334,627)	\$ 1,466	\$ (33,298)	\$ (146,057)	\$ 168,319	\$ (14,144)	\$ 252,001	\$ 50,295

Village of Lions Bay
Schedule 2 - Combined Statement of Operations by Segment

For the year ended December 31, 2015

	General Government	Protective Services	Public Works Operation	Solid Waste Collection	Planning and Development	Park Recreation and Culture	Water Utility	Sewer Utility	2015 Actual	2015 Financial Plan
										(Note 7)
Revenues										
Taxation	\$ 1,227,503	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267,087	\$ 24,140	\$ 1,518,730	\$ 1,521,604
Utility user rates and connection fees	-	-	-	196,802	-	-	438,356	41,164	676,322	673,545
Government transfers	370,145	14,298	-	-	-	18,500	304,755	-	707,698	1,054,104
Sales of services	7,577	53,049	750	278	24,734	22,269	-	-	108,657	102,350
Other revenues	40,879	73,081	-	-	-	4,445	14,379	-	132,784	81,301
	1,646,104	140,428	750	197,080	24,734	45,214	1,024,577	65,304	3,144,191	3,432,904
Expenses										
Operating										
Goods and services	117,250	192,790	171,053	200,539	5,224	80,764	568,718	36,247	1,372,585	1,685,522
Labour	449,679	117,312	154,438	-	18,780	115,377	278,071	15,237	1,148,894	1,100,184
Amortization	335,783	-	-	-	-	-	149,710	28,399	513,892	504,202
	902,712	310,102	325,491	200,539	24,004	196,141	996,499	79,883	3,035,371	3,289,908
Interest	-	-	16,048	-	-	-	75,513	-	91,561	91,561
	902,712	310,102	341,539	200,539	24,004	196,141	1,072,012	79,883	3,126,932	3,381,469
Excess (deficiency) in revenues over expenses	\$ 743,392	\$ (169,674)	\$ (340,789)	\$ (3,459)	\$ 730	\$ (150,927)	\$ (47,435)	\$ (14,579)	\$ 17,259	\$ 51,435

Village of Lions Bay
Schedule 3 - Tangible Capital Assets

For the year ended December 31, 2016

	Land	Buildings	Equipment & Furniture & Vehicles	Land Improvements	Water	Sewer	Roads	Storm Sewer	Other	WIP - General	2016 Total	2015 Total
Cost, beginning of year	\$ 11,115,625	\$ 2,112,010	\$ 1,704,265	\$ 195,678	\$ 6,861,987	\$ 761,302	\$ 4,357,566	\$ 101,450	\$ 81,801	\$ 64,130	\$ 27,355,814	\$ 27,089,584
Additions	-	-	27,051	-	111,727	34,413	-	-	-	-	173,191	266,230
Disposals	-	-	(7,520)	-	(13,413)	-	-	-	-	-	(20,933)	-
Cost, end of year	11,115,625	2,112,010	1,723,796	195,678	6,960,301	795,715	4,357,566	101,450	81,801	64,130	27,508,072	27,355,814
Accumulated amortization, beginning of year	-	681,319	989,668	65,619	2,434,019	542,163	2,557,765	76,048	11,453	-	7,358,054	6,844,162
Amortization	-	48,818	140,970	9,171	150,939	29,725	107,721	1,242	1,636	-	490,222	513,892
Disposals	-	-	(5,170)	-	(478)	-	-	-	-	-	(5,648)	-
Accumulated amortization, end of year	-	730,137	1,125,468	74,790	2,584,480	571,888	2,665,486	77,290	13,089	-	7,842,628	7,358,054
Net carrying amount, end of year	\$ 11,115,625	\$ 1,381,873	\$ 598,328	\$ 120,888	\$ 4,375,821	\$ 223,827	\$ 1,692,080	\$ 24,160	\$ 68,712	\$ 64,130	\$ 19,665,444	\$ 19,997,760