



THE MUNICIPALITY OF THE VILLAGE OF LIONS BAY

**COUNCIL STRATEGY COMMITTEE
OF THE VILLAGE OF LIONS BAY
HELD ON TUESDAY, MAY 8, 2018 at 3:30 PM
COUNCIL CHAMBERS, 400 CENTRE ROAD, LIONS BAY**

AGENDA

1. **Call to Order**
2. **Adoption of Agenda**
3. **Public Participation**
4. **Review & Approval of Minutes of Prior Meetings**
 - A.
5. **Business Arising from the Minutes**
 - A. Council Strategy Committee Meeting – January 23, 2018 (Page 3)
THAT the Council Strategy Committee Meeting Minutes of January 23, 2018 be approved as circulated.
6. **Unfinished Business**
7. **Reports**
 - A. Staff – None
 - B. Mayor – None
 - C. Council – None
 - D. Committees – None
8. **New Business**
 - A. Audit Report – Bill Cox, BDO Canada LLP (Page 7)
9. **Public Questions & Comments**
10. **Closed Council Meeting**

THAT the meeting be closed to the public on the basis of matters to be considered under the following sections of the *Community Charter*:

 - 90 (1) A part of a council meeting may be closed to the public if the subject matter being considered relates to or is one or more of the following:
 - c) labour relations or other employee relations;

- g) litigation or potential litigation affecting the municipality;
- l) discussions with municipal officers and employees respecting municipal objectives, measures and progress reports for the purposes of preparing an annual report under section 98 [annual municipal report].

11. Reporting Out from Closed Portion of Meeting

12. Adjournment



THE MUNICIPALITY OF THE VILLAGE OF LIONS BAY

**COUNCIL STRATEGY COMMITTEE
OF THE VILLAGE OF LIONS BAY
HELD ON TUESDAY, JANUARY 23, 2018 at 3:00 PM
COUNCIL CHAMBERS, 400 CENTRE ROAD, LIONS BAY**

MINUTES

In Attendance:

Council: Mayor Karl Buhr
Councillor Fred Bain
Councillor Norm Barmeier (joined the meeting at 3:16 p.m.)
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)

Public: 0

1. Call to Order

Mayor Buhr called the meeting to order at 3:15 p.m.

2. Adoption of Agenda

Moved/Seconded

THAT the agenda be adopted as amended to change the meeting time to 3 pm.

CARRIED

3. Public Participation

None

4. Review and Approval of Minutes of Prior Meetings

A. Council Strategy Committee Meeting – May 2, 2017

Moved/Seconded

THAT the Council Strategy Committee Meeting Minutes of May 2, 2017 be approved as circulated.

CARRIED

B. Council Strategy Committee Meeting – January 16, 2018

Moved/Seconded

THAT the Council Strategy Committee Meeting Minutes of January 16, 2018 be approved as amended to note the arrival time of Councillor Hughes in the attendance section at the beginning of the minutes.

CARRIED

5. Business Arising from the Minutes

None

6. Unfinished Business

None

Councillor Barmeier joined the meeting at 3:16 p.m.

7. Reports

A. Staff

i. PWM: Core Services Review

Public Works Manager Nai Jaffer discussed the Core Service Level Review (CSLR), which was originally brought to Council on April 4, 2017, and spoke to the CSLR recommendation for 7.6 Full Time Equivalents (FTE) to facilitate all of the Public Works Services required or requested, including mandatory, essential services and best management practices.

Moved/Seconded

THAT the Council Strategy Committee recommend that Council direct the Public Works Manager to post for and hire a full-time Public Works Operator; and

THAT the Council Strategy Committee recommend that Council direct the Chief Financial Officer to secure an additional lease vehicle when we renew our current lease agreement.

CARRIED

Audio: 00:17

B. Mayor

i. Community Signage Plan

The Committee reviewed Mayor Buhr's Community Signage Plan, which included the CAO's comments inline, and discussed their ideas and concerns. It was agreed that the

signage should have a consistent scheme throughout the Village to show that the people of Lions Bay care about their community’s image. The Committee agreed that a PDF document of the signage options should be added to the website for the public to review and provide their feedback. The Committee is to pass around one version of Mayor Buhr’s report and provide their feedback first to Councillor Barmeir, who will provide the next iteration focussing on consistent themes for the various types of signage.

Moved/Seconded

THAT the Council Strategy Committee recommend to Council to proceed with the Community Signage Project, to be refined for colour and format themes and wording with budget to come from the remainder of the parking signage budget, presently estimated at \$15,000.

CARRIED

C. Council

None

D. Committees

None

8. New Business

None

9. Public Questions & Comments

None

10. Adjournment

Moved/Seconded

THAT the meeting be adjourned.

CARRIED

The meeting was adjourned at 4:02 p.m.

Mayor

Corporate Officer

Date Approved by Council:	
---------------------------	--

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Village of Lions Bay

Final Report to the Mayor and Council for the year ended December 31, 2017

Dated May 1, 2018 for meeting on May 8, 2018



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Vancouver BC V6C 3L2 Canada

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May 1, 2018

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, 2017. 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>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 January 9, 2018.</p> <p>A detailed description of our audit findings has been included in the main body of this report.</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 certain bank confirmations • Receipt of the signed management representation letter • Receipt of certain outstanding legal confirmation updates • Subsequent events review through to financial statement approval date • Approval of financial statements by the Council
Key Audit Areas	<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 • Revenue recognition • Asset held for sale • E-Comm radio equipment • 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, 2017 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 \$63,000 was increased from our planning materiality of \$58,000 in our audit planning letter based on actual year-end results.</p> <p>There are two unadjusted misstatements for the year ended December 31, 2017 with a cumulative understatement to annual surplus of \$5,600.</p> <p>There was one adjustment recorded by management as a result of our audit relating to a reclassification of credit balances in cash for the current and prior year.</p>
Disclosures	<p>There are no material omissions with respect to the disclosures in the financial statements for the year ended December 31, 2017 that we have noted.</p> <p>We confirmed our independence to the Board for the year ended December 31, 2017 in our Planning Report.</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, 2017 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.

Our final materiality level of \$63,000 was increased from our planning materiality of \$58,000, communicated to you in our audit planning letter, based on actual yearend results.

AUDIT FINDINGS

Based on our knowledge of the operations of the Village, our past experience, and knowledge gained from management and Council, we have identified the following areas of focus that, in our judgment, require special audit consideration.

Key audit areas arise mainly because of the complexity of the accounting rules, the extent of estimation and judgment involved in the valuation of these financial statement areas, and the existence of new accounting pronouncements that affect them.

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:



KEY AUDIT AREAS

Management Override of Controls

Key Audit Area	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

Key Audit Area	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>



Asset Held For Sale

Key Audit Area	Approach	Results
<p>During the year, the Village listed a parcel of land located on 52 Brunswick Beach Road for sale. At December 31, 2017, the land had not yet been sold. For financial statement presentation purposes, the carrying costs of this land has been classified from tangible capital assets to land held for sale.</p>	<p>We reviewed the classification and valuation of land as held for sale.</p> <p>We reviewed the note disclosure in the notes to the financial statements.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>

E-Comm Radio Equipment

Key Audit Area	Approach	Results
<p>All participating E-Comm members were provided updated radio equipment in the current year. The cost of the equipment is to be recuperated from member municipalities as levies over 7.5 years. The Village has recorded these radios as capital assets as at December 31, 2017.</p>	<p>We reviewed the accounting treatment of the capital assets and corresponding equipment financing.</p> <p>We ensured the transaction was appropriately disclosed in the notes to the financial statements.</p>	<p>All audit testing in this area was executed as planned and no issues were noted.</p>



Tangible Capital Assets and Accumulated Amortization

Key Audit Area	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

Key Audit Area	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

Key Audit Area	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>

Cash and Investments

Key Audit Area	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 issues 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 provided on January 9, 2018. 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.	<p>Based on our discussions during the planning of our audit, the Mayor and Council's oversight processes include:</p> <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 provided on January 9, 2018.



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 January 9, 2018
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

- [BDO Insights](#)
- [PSAS Update 2017](#)

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, 2017, 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, 2017 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

May 1, 2018

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, 2017.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the Village 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 January 9, 2018, the date of our last letter.

We are not aware of any relationships between the Village and our firm that, in our professional judgment may reasonably be thought to bear on independence that have occurred from January 9, 2018 to the date of this letter.

We hereby confirm that we are independent with respect to the Village 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

DATE OF BOARD APPROVAL

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, 2017, 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 November 24, 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.



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:

	Dr. (Cr.)			
	Assets	Liabilities	Accumulated Surplus	Annual Surplus
<i>To accrue interest expense on debt.</i>				
Dr. Accumulated surplus			\$ 10,300	
Cr. Accrued liabilities		\$ (13,700)		
Dr. Interest expense				\$ 3,400
<i>To adjust overstatement of employee sick pay accrual</i>				
Dr. Accrued liabilities		\$ 38,000		
Cr. Accumulated surplus			\$ (28,900)	
Cr. Payroll expense				\$ (9,000)
Total Unadjusted Differences	\$ -	\$ 24,300	\$ (18,600)	\$ (5,600)



SUMMARY OF ADJUSTED DIFFERENCES

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

	Dr. (Cr.)			
	Assets	Liabilities	Accumulated Surplus	Annual Surplus
<i>To reclassify credit in cash to accounts payable.</i>				
Dr. Cash	\$ 22,982			
Cr. Accounts payable		\$ (22,982)		
<i>To reclassify credit in cash to accounts payable (2016).</i>				
Dr. Cash	\$ 10,184			
Cr. Accounts payable		\$ (10,184)		
Total Adjusted Differences	\$ 33,166	\$ (33,166)	\$ -	\$ -

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

May 1, 2018

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.



Current Year Observations

1. Employer Health Tax

In February 2018, the new NDP government proposed an Employer Health Tax (EHT) in their first budget. This announcement was accompanied by the proposed elimination of the Medical Services Plan premiums (MSPP) effective January 1, 2020. MSPPs are levied on individual taxpayers while the proposed EHT will be levied on businesses' payroll. The proposed EHT is expected to come into effect on January 1, 2019.

For many organizations, payroll is the single largest expenditure. As a result, we would like to take this opportunity to remind management to consider this new tax in developing future budgets and financial plans.

For additional information, please refer to the following BDO resource:
<https://www.bdo.ca/en-ca/insights/tax/tax-alerts/british-columbia-employer-health-tax/>.

Management response

The Employer Health Tax will be incorporated into the Village's 2019 budget.

2. Expense Reports

During the audit, we noted that the CAO's expense reports were reviewed and approved by the CFO. In order to strengthen internal controls, it is recommended that all expense reports of an employee be reviewed by someone of higher authority. CAO expense reports should be approved by the Mayor or a member of Council.

Management response

In 2018, the CAO's expense reports will be approved by the Mayor.

Status of Prior Year Recommendations

1. Bank Reconciliations

In the prior year, we recommended that bank reconciliations be completed in a timely manner and reviewed by the CFO.

2017 management update

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 implemented an approval process where the Village's bank reconciliations are approved by the CAO and the fire department's bank reconciliations are approved by the Fire Chief.



2. Receipting of Revenue Transactions

In the prior year, 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.

2017 management updates

In 2017, management reviewed the cash receipts procedures with staff to ensure that all cash transactions are receipted at the front desk. Management worked with the fire department to ensure that adequate backup was received for the silent auction purchases made during the 2017 Fire Fighters Day. Staff received the original silent auction sheets as backup for the silent auction purchases made on 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, flowing style.

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, 2017**

DRAFT

**Village of Lions Bay
Financial Statements
For the year ended December 31, 2017**

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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 xx, 2018

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, 2017, 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, 2017 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 xx, 2018

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

December 31	2017	2016
Financial Assets		
Cash and cash equivalents	\$ 2,832,436	\$ 2,195,869
Accounts receivable	372,761	244,295
Grants receivable	288,908	33,588
Assets held for sale (Note 1)	85,866	-
	3,579,971	2,473,752
Liabilities		
Accounts payable	544,660	295,962
Sick, overtime, wellness and vacation payable	117,216	86,518
Deferred revenue (Note 2)	687,214	25,217
Developer deposits (Note 3)	138,000	126,000
Equipment financing (Note 4)	147,173	52,320
Long- term debt (Note 5)	1,717,456	1,197,868
	3,351,719	1,783,885
Net Financial Assets	228,252	689,867
Non-Financial Assets		
Tangible capital assets (Schedule 3)	20,840,295	19,665,444
Prepaid expenses	1,017	2,039
	20,841,312	19,667,483
Accumulated Surplus (Note 10)	\$ 21,069,564	\$ 20,357,350

Contingent liabilities and commitments (Note 7)

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	
	2017	2016
	(Note 8)	
Revenue (Schedule 1 & 2)		
Taxation (Note 6)	\$ 1,453,628	\$ 1,407,804
Utility user rates	1,087,239	1,031,686
Government transfers	2,897,116	530,322
Sale of services	152,253	110,746
Other revenues	110,832	132,654
Gain (Loss) on disposal of tangible capital assets	3,219,250	(15,285)
	<u>8,920,318</u>	<u>3,197,927</u>
Expenses (Schedules 1 & 2)		
General departmental expenses	2,435,766	2,044,564
Water system operations	818,654	816,450
Sewer system operations	71,677	84,912
	<u>3,326,097</u>	<u>2,945,926</u>
Annual Surplus	5,594,221	252,001
Accumulated Surplus, beginning of year	20,357,350	20,105,349
Accumulated Surplus, end of year	<u>\$ 25,951,571</u>	<u>\$ 20,357,350</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 2017	2017	2016
	(Note 8)		
Annual surplus	\$ 5,594,221	\$ 712,214	\$ 252,001
Change in Tangible Capital Assets			
Acquisition of tangible capital assets	(4,041,280)	(1,788,754)	(173,191)
Amortization of tangible capital assets	507,494	518,681	490,222
Loss on disposals of tangible capital assets	-	9,356	15,285
Tangible capital assets transferred to assets held for sale	-	85,866	-
	(3,533,786)	(1,174,851)	332,316
Change in Other Non-Financial Assets			
Net use of prepaid expenses	-	1,022	6,309
Change in net financial assets for the year	2,060,435	(461,615)	590,626
Net financial assets, beginning of year	689,867	689,867	99,241
Net financial assets, end of year	\$ 2,750,302	\$ 228,252	\$ 689,867

Village of Lions Bay
Statement of Cash Flows

For the year ended December 31	2017	2016
Cash provided by (used in)		
Operating transactions		
Annual surplus	\$ 712,214	\$ 252,001
Items not involving cash		
Amortization expense	518,681	490,222
Loss on disposal of tangible capital assets	9,356	15,285
Changes in non-cash operating balances		
Accounts receivable	(128,466)	(12,024)
Grants receivable	(255,320)	174,570
Developer deposits	12,000	9,000
Deferred revenue	661,997	(1,198)
Accounts payable	248,698	(30,552)
Sick, overtime, wellness and vacation payable	30,698	34,184
Prepaid expenses	1,022	6,309
	1,810,880	937,797
Capital transactions		
Cash used to acquire tangible capital assets	(1,657,858)	(173,191)
Financing transactions		
Repayment of equipment financing	(36,043)	(34,980)
Repayment of long-term debt principal	(86,312)	(78,627)
Issue of long-term debt	605,900	-
	483,545	(113,607)
Increase in cash and equivalents during the year	636,567	650,999
Cash and equivalents, beginning of year	2,195,869	1,544,870
Cash and equivalents, end of year	\$ 2,832,436	\$ 2,195,869
Supplemental information:		
Interest paid on long-term debt	\$ 89,322	\$ 90,241
Tangible capital assets acquired through equipment financing	\$ 130,896	\$ -

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, 2017

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 ("PSAS") using guidelines developed by the Public Sector Accounting Board 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 at the time of purchase. 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, 2017

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.

Use of Estimates

The preparation of financial statements in accordance with PSAS 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, 2017

Financial Instruments The Village's financial instruments consist of cash and cash 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, 2017 or 2016.

Village of Lions Bay
Notes to Financial Statements

December 31, 2017

1. Assets Held for Sale

During 2017, the Village listed a parcel of land as available for sale. The net book value of land previously classified in tangible capital assets is \$85,866.

2. Deferred Revenue

	2017	2016
Restricted cash donations	\$ -	1,000
Contributions for future use	23,392	-
Government transfers	641,671	-
Prepaid taxes	22,151	24,217
	\$ 687,214	\$ 25,217

3. 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 \$138,000 (2016 - \$126,000) 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.

Village of Lions Bay
Notes to Financial Statements

December 31, 2017

4. Equipment Financing

The Village has entered into obligations for vehicles and emergency radios with future payment requirements as follows:

2018	\$	36,029
2019		19,621
2020		19,621
2021		19,621
2022		19,621
Thereafter		<u>49,052</u>
Total future minimum lease payments	\$	163,565
Less: Imputed interest (at 3%)		<u>(16,392)</u>
Present value of minimum lease payments	\$	<u>147,173</u>

5. 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 \$52,569 (2016 - \$58,427).

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 \$902,456 (2016 - \$966,798).

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 \$161,153 (2016 - \$172,643).

Village of Lions Bay
Notes to Financial Statements

December 31, 2017

5. Long-term Debt (con't)

Loan Authorization Bylaw No. 508 was adopted on December 6, 2016 and gave approval for the Village to borrow up to \$3,000,000 to assist in providing construction improvements to the Village's water and stormwater distribution network, the water storage system and bridges. In 2017, the Village borrowed \$460,900 for the replacement of the Village's water storage facilities. The interest rate is 3.15% and the debt matures in 2047. The balance outstanding under this bylaw at year-end was \$460,900. The authorized but unissued balance at year-end was \$2,539,100.

During 2017, the Village borrowed \$145,000 through the MFA Equipment Financing program to purchase a backhoe. The interest rate is variable based on CDOR rate (1.94% at year-end) and the debt matures in 2022. The balance outstanding at year-end was \$140,378.

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

2018	\$	122,258
2019		126,432
2020		130,766
2021		135,268
2022		135,855
Thereafter		<u>1,066,877</u>
	\$	<u>1,717,456</u>

Village of Lions Bay
Notes to Financial Statements

December 31, 2017

6. Taxation

	Financial Plan		
	2017	2017	2016
	(Note 8)		
General purposes	\$ 1,443,043	\$ 1,443,062	\$ 1,371,873
Collections for other tax authorities			
School Taxes - Province	-	809,787	731,816
RCMP	-	149,139	124,250
Regional District	-	46,873	41,983
Greater Vancouver Transportation Authority	-	205,929	194,440
Municipal Finance Authority	-	186	136
British Columbia Assessment Authority	-	40,505	37,184
	<u>1,443,043</u>	<u>2,695,481</u>	<u>2,501,682</u>
Transfers to other tax authorities			
School Taxes - Province	-	809,787	731,816
RCMP	-	149,139	124,250
Regional District	-	46,873	41,983
Greater Vancouver Transportation Authority	-	205,929	194,440
Municipal Finance Authority	-	186	136
British Columbia Assessment Authority	-	40,505	37,184
	<u>-</u>	<u>1,252,419</u>	<u>1,129,809</u>
Available for general purposes	1,443,043	1,443,062	1,371,873
Water utility parcel taxes	10,585	10,585	10,585
Sewer utility parcel taxes	-	-	25,346
	<u>\$ 1,453,628</u>	<u>\$ 1,453,647</u>	<u>\$ 1,407,804</u>

Village of Lions Bay
Notes to Financial Statements

December 31, 2017

7. 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, 2017) 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 Village. 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, 2017 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, 2017

8. Financial Plan

Financial plan amounts represent the Financial Plan Bylaw adopted by Council on May 5, 2017 with adjustments for items accounted for differently under PSAS.

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:

	2017
Financial Plan Bylaw surplus for the year	\$ -
Add back:	
Capital expenditures	4,041,280
Repayment of Debt	109,521
MFA Actuarial Gain on Debt	20,422
Budgeted transfers to accumulated surplus	2,391,362
Less:	
Proceeds from Borrowing	(460,870)
Amortization	(507,494)
	\$ 5,594,221

9. 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, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

Village of Lions Bay
Notes to Financial Statements

December 31, 2017

9. 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. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

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 \$68,673 (2016 - \$52,723) for employer contributions while employees contributed \$62,970 (2016 - \$52,918) to the plan in fiscal 2017.

10. Accumulated Surplus

The components of accumulated surplus are as follows:

	2017	2016
Invested in tangible capital assets	\$ 19,061,532	\$ 18,415,256
Reserve funds	848,534	783,555
Unrestricted amounts	1,159,498	1,158,539
	\$ 21,069,564	\$ 20,357,350

The increase in reserve funds in the current year of \$64,979 represents the receipt of \$56,502 of unrestricted funds for Gas Tax Funding, a \$350 donation to the Curly Stewart Fund, with the balance of \$8,127 representing interest credited to reserve funds for the year.

Village of Lions Bay
Notes to Financial Statements

December 31, 2017

11. 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:

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.

**Village of Lions Bay
Notes to Financial Statements**

December 31, 2017

12. Comparative Figures

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

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

For the year ended December 31, 2017

	General Government	Protective Services	Public Works Operation	Solid Waste Collection	Planning and Development	Park Recreation and Culture	Water Utility	Sewer Utility	2017 Actual	2017 Financial Plan
										(Note 8)
Revenues										
Taxation	\$ 1,443,062	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,585	\$ -	\$ 1,453,647	\$ 1,453,628
Utility user rates and connection fees	-	-	-	185,795	-	-	834,605	67,234	1,087,634	1,087,239
Government transfers	370,191	20,375	-	-	-	11,200	354,409	-	756,175	2,897,116
Sales of services	5,980	63,125	300	3,902	96,253	24,169	16,845	1,921	212,495	152,253
Other revenues	61,470	151,296	-	-	-	-	36,984	3,911	253,661	110,832
Loss on disposal of tangible capital assets	-	-	-	-	-	-	(9,356)	-	(9,356)	3,219,250
	1,880,703	234,796	300	189,697	96,253	35,369	1,244,072	73,066	3,754,256	8,920,318
Expenses										
Operating										
Goods and services	132,321	227,467	191,423	181,090	77,890	105,082	210,078	41,571	1,166,922	1,442,767
Labour	544,816	116,138	187,586	-	28,493	119,504	256,957	13,623	1,267,117	1,284,380
Amortization	340,597	-	-	-	-	-	163,456	14,628	518,681	507,494
	1,017,734	343,605	379,009	181,090	106,383	224,586	630,491	69,822	2,952,720	3,234,641
Interest	-	-	14,392	-	-	-	74,930	-	89,322	91,456
	1,017,734	343,605	393,401	181,090	106,383	224,586	705,421	69,822	3,042,042	3,326,097
Annual surplus (deficiency)	\$ 862,969	\$ (108,809)	\$ (393,101)	\$ 8,607	\$ (10,130)	\$ (189,217)	\$ 538,651	\$ 3,244	\$ 712,214	\$ 5,594,221

Village of Lions Bay
Schedule 2 - 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 8)
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
Interest	973,315	294,407	321,586	198,645	66,253	175,342	741,225	84,912	2,855,685	3,191,759
	-	-	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
Annual surplus (deficiency)	\$ 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 3 - Tangible Capital Assets

For the year ended December 31, 2017

	Land	Buildings	Equipment & Furniture & Vehicles	Land Improvements	Water	Sewer	Roads	Storm Sewer	Other	WIP - General	2017 Total	2016 Total
Cost, beginning 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
Additions	776,243	27,870	389,960	5,447	239,717	-	-	-	-	349,517	1,788,754	173,191
Disposals	(85,866)	-	-	-	(9,848)	-	-	-	-	-	(95,714)	(20,933)
Cost, end of year	11,806,002	2,139,880	2,113,756	201,125	7,190,170	795,715	4,357,566	101,450	81,801	413,647	29,201,112	27,508,072
Accumulated amortization, beginning 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
Amortization	-	49,933	170,687	9,389	163,456	14,628	107,710	1,242	1,636	-	518,681	490,222
Disposals	-	-	-	-	(492)	-	-	-	-	-	(492)	(5,648)
Accumulated amortization, end of year	-	780,070	1,296,155	84,179	2,747,444	586,516	2,773,196	78,532	14,725	-	8,360,817	7,842,628
Net carrying amount, end of year	\$ 11,806,002	1,359,810	817,601	116,946	4,442,726	209,199	1,584,370	22,918	67,076	413,647	20,840,295	\$ 19,665,444

Included in disposals are transfers to assets held for sale of \$85,866 (Note 1).