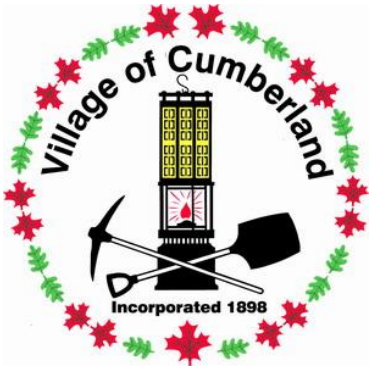


# THE CORPORATION OF THE VILLAGE OF CUMBERLAND

## FINANCIAL STATEMENTS

## DECEMBER 31, 2017

**THE CORPORATION OF THE**
**VILLAGE OF CUMBERLAND**

**Index to Financial Statements**

**For the year ended DECEMBER 31, 2017**


**MANAGEMENT'S RESPONSIBILITY**

**INDEPENDENT AUDITOR'S REPORT**

**STATEMENTS**

| | |
|---|---|
| A | Statement of Financial Position |
| B | Statement of Operations and Accumulated Surplus |
| C | Statement of Change in Net Financial Assets |
| D | Statement of Cash Flows |

**NOTES TO FINANCIAL STATEMENTS**

**SCHEDULES**

| | |
|---|---|
| 1 | Tangible Capital Assets |
| 2 | Debenture and Long-Term Debt |
| 3 | Segment Disclosure |
| 4 | Segment Disclosure with Budget Information |

# Corporation of the Village of Cumberland

2673 Dunsmuir Avenue
P.O. Box 340
Cumberland, BC V0R 1S0
Telephone: 250-336-2291
Fax: 250-336-2321
cumberland.ca

## Management's Responsibility for Financial Reporting

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and are outlined under "Significant Accounting Policies" in the notes to the financial statements. Management is responsible for the integrity and objectivity of these statements and schedules.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. Management also maintains a program of proper business compliance.

Council is responsible for reviewing and approving the financial statements and for ensuring that management fulfils its responsibilities for financial reporting and internal control.

BDO Canada LLP, Chartered Accountants, the village's independent auditors, have conducted an examination of the financial statements in accordance with Canadian generally accepted auditing standards and have expressed their opinion in a report accompanying this statement.

M Mason

Michelle Mason, CPA, CGA
Financial Officer,
pursuant to Section 149 of the Community Charter
April 23, 2018

Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
**www.bdo.ca**

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

# Independent Auditor's Report

**To the Mayor and Council of the Corporation of the Village of Cumberland**

We have audited the accompanying financial statements of the Corporation of the Village of Cumberland, which comprise the Statement of Financial Position as at December 31, 2017, and 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 the 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 Corporation of the Village of Cumberland 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.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 23, 2018

**BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.**

STATEMENT A

# THE CORPORATION OF THE VILLAGE OF CUMBERLAND
## Statement of Financial Position
## As at December 31, 2017

| | 2017 | 2016 |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents | $ 4,895,810 | $ 5,367,252 |
| Property taxes receivable | 136,962 | 217,699 |
| Accounts receivable (Note 2) | 1,634,002 | 2,227,425 |
| Investments (Note 3) | 3,904,451 | 1,481,287 |
| | 10,571,225 | 9,293,663 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities (Note 4) | 1,354,958 | 1,602,470 |
| Trust and other deposits (Note 5) | 517,514 | 556,877 |
| Deferred revenue (Note 7) | 3,291,123 | 1,694,630 |
| Debenture and long term-debt (Note 9, Schedule 2) | 2,932,650 | 3,163,478 |
| | 8,096,245 | 7,017,455 |
| **Net Financial Assets** | 2,474,980 | 2,276,208 |
| **Non-financial Assets** | | |
| Tangible capital assets (Schedule 1) | 48,321,202 | 44,415,661 |
| Inventories | 117,555 | 123,431 |
| Prepaid expenses | 47,042 | 46,985 |
| | 48,485,799 | 44,586,077 |
| **Accumulated Surplus (Note 16)** | **$ 50,960,779** | **$ 46,862,285** |

Contingent liabilities (Note 8)

*See accompanying notes to the financial statements*

Approved by:

Leslie Baird
Mayor

Michelle Mason
Corporate Financial Officer

# THE CORPORATION OF THE VILLAGE OF CUMBERLAND
## Statement of Operations and Accumulated Surplus
## For the Year Ended December 31, 2017

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| | (Note 14) | | |
| **Revenues** | | | |
| Taxes | $ 2,375,540 | $ 2,375,363 | $ 2,261,668 |
| Grants in lieu of taxes | 48,880 | 48,883 | 54,565 |
| Frontage taxes | 321,700 | 322,203 | 183,282 |
| Sale of services | 1,454,020 | 1,620,084 | 1,382,388 |
| Transfers from other governments | 7,793,055 | 3,587,794 | 2,935,177 |
| Services to other governments | 376,360 | 366,044 | 349,198 |
| Other revenue | 519,200 | 726,397 | 1,465,775 |
| Development cost charges | 370,740 | 345,301 | 712,651 |
| Contributed assets | - | 850,422 | 473,737 |
| | 13,259,495 | 10,242,491 | 9,818,441 |
| **Expenses** | | | |
| General government services | 802,700 | 776,966 | 686,745 |
| Transportation services | 1,213,225 | 1,392,539 | 1,244,038 |
| Protective services | 618,500 | 530,608 | 487,182 |
| Environmental health services | 2,005,080 | 1,918,691 | 1,776,960 |
| Public health services | 35,005 | 41,055 | 23,091 |
| Environmental planning and development services | 302,635 | 313,389 | 261,857 |
| Recreation and cultural services | 1,128,250 | 1,170,749 | 1,146,453 |
| | 6,105,395 | 6,143,997 | 5,626,326 |
| **Annual Surplus** | **7,154,100** | **4,098,494** | **4,192,115** |
| **Accumulated Surplus, Beginning Of Year** | 46,862,285 | 46,862,285 | 42,670,170 |
| **Accumulated Surplus, End Of Year** | **$ 54,016,385** | **$ 50,960,779** | **$ 46,862,285** |

*Please see accompanying notes to the financial statements.*

# THE CORPORATION OF THE VILLAGE OF CUMBERLAND
## Statement of Change in Net Financial Assets
## For the Year Ended December 31, 2017

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|---|---|---|
| | (Note 14) | | |
| **Annual Surplus** | $ 7,154,100 | $ 4,098,494 | $ 4,192,115 |
| Amortization of tangible capital assets | 1,046,800 | 1,125,972 | 972,881 |
| Change in supplies inventories | - | 5,876 | (13,556) |
| Change in prepaid expense | - | (57) | (39,117) |
| Proceeds on disposal of tangible capital assets | - | - | 17,592 |
| Loss on disposal of tangible capital assets | - | 171,278 | 19,284 |
| Acquisition of tangible capital assets | (10,994,370) | (5,202,791) | (5,326,686) |
| **Change In Net Financial Assets** | (2,793,470) | 198,772 | (177,487) |
| **Net Financial Assets, Beginning Of Year** | 2,276,208 | 2,276,208 | 2,453,695 |
| **Net Financial Assets, End Of Year** | **$ (517,262)** | **$ 2,474,980** | **$ 2,276,208** |

*Please see accompanying notes to the financial statements.*

# THE CORPORATION OF THE VILLAGE OF CUMBERLAND
## Statement of Cash Flows
## For the Year Ended December 31, 2017

| | 2017 | 2016 |
|---|---|---|
| **Cash Flows From Operating Transactions** | | |
| Annual surplus | $ 4,098,494 | $ 4,192,115 |
| Non-cash items | | |
| Amortization | 1,125,972 | 972,881 |
| Contributed assets | (850,422) | (473,737) |
| Long-term debt actuarial reduction | (28,787) | (22,395) |
| Loss on disposal of tangible capital assets | 171,278 | 19,284 |
| Change in prepaid expense | (57) | (39,117) |
| Change in inventories | 5,876 | (13,556) |
| Change in deferred revenue | 1,596,493 | (699,285) |
| Change in working capital | | |
| Change in property taxes receivable | 80,736 | (55,071) |
| Change in accounts receivable | 593,423 | (1,120,495) |
| Change in accounts payable | (247,512) | 1,010,510 |
| Change in trust and other deposits | (39,363) | 266,237 |
| Cash provided by operating transactions | 6,506,131 | 4,037,371 |
| **Cash Flow From Capital Transactions** | | |
| Purchase of tangible capital assets | (4,352,369) | (4,852,949) |
| Proceeds on disposal of tangible capital assets | - | 17,592 |
| Cash applied to capital transactions | (4,352,369) | (4,835,357) |
| **Cash Flow From Financing Transactions** | | |
| New debt issued | 73,419 | 200,481 |
| Long-term debt repaid | (275,459) | (394,818) |
| Cash applied to financing transactions | (202,040) | (194,337) |
| **Cash Flow From Investing Transactions** | | |
| Change in investments | (2,423,164) | 747,233 |
| Cash applied to investing transactions | (2,423,164) | 747,233 |
| **Decrease in Cash and Cash Equivalents** | (471,442) | (245,090) |
| **Cash and Cash Equivalents, Beginning Of Year** | 5,367,252 | 5,612,342 |
| **Cash and Cash Equivalents, End Of Year** | **$ 4,895,810** | **$ 5,367,252** |
| **Interest Included In Operating Transactions** | | |
| Interest received in the year | $ 174,538 | $ 154,189 |
| Interest paid in the year | $ (100,324) | $ (130,936) |

*Please see accompanying notes to the consolidated financial statements.*

**The Corporation of the Village of Cumberland**
**Notes to Financial Statements**
**Year Ended DECEMBER 31, 2017**

The Corporation of the Village of Cumberland (the "Municipality") was incorporated in 1898 under the provisions of the *British Columbia Municipal Act and is subject to the provisions of the Community Charter and related legislation*. Its principal activities are the provision of local government services to the residents of the Municipality.

## 1. SIGNIFICANT ACCOUNTING POLICIES

a) It is the Municipality's policy to follow Canadian public sector accounting standards (PSAS) as developed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

b) In accordance with PSAS, the Municipality reports a combination of all funds. The financial statements reflect the removal of internal transactions and balances.

c) Financial instruments consist of cash and cash equivalents, accounts and property taxes receivable, investments, accounts payable and accrued liabilities, trusts and other deposits, and debenture and long-term debt. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments.

d) Tangible capital assets and other non-financial assets are accounted for as non-financial assets by the Municipality because they can be used to provide municipal services in future periods. These assets do not normally provide resources to discharge liabilities unless they are sold.

e) Cash and cash equivalents include short-term deposits held both with the Municipal Finance Authority (in its Money Market Fund) and with the First Credit Union and are carried at cost, which approximates market value. The short-term deposits have maturities of less than 90 days at the time of purchase and/or can be liquidated on demand.

f) Investments represent term deposits with maturities in excess of 90 days and are recorded at cost.

g) Inventories are valued at the lower of cost and replacement value.

h) Sources of Funds for the Municipality

   i) Tax revenues are recognized in the year that they are levied.

   ii) Government transfers are recognized as revenues when 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. Restricted grants are recognized when the related expenses are incurred and when collection is reasonably assured.

   iii) Other transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

   iv) Sewer and water fees are recognized when the commodity has been received by the customer.

   v) Other sales of services and other revenue from own sources are recognized when the service is provided or the amount is earned and when the amount can be estimated and collection is reasonably assured.

vi) Restricted revenues from collections of development cost charges are deferred and then recognized as revenue in the year that an expense, authorized by bylaw, is incurred.

i) The Municipality is statutorily obligated to collect and transmit the tax levies of the following bodies:

i) Provincial Government – Schools;

ii) Provincial Government – Police;

iii) Comox Valley Regional District;

iv) Regional Hospital District of Comox Strathcona;

v) British Columbia Assessment Authority;

vi) Municipal Finance Authority; and

vii) Vancouver Island Regional Library.

Such levies are not included in the revenues of the Municipality.

j) Expenses are recorded in the period in which the goods or services are acquired and a liability is incurred.

k) The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting period. Significant areas requiring the use of estimates include the ability to collect property taxes receivable and accounts receivable, obsolete or damaged inventory, amortization of tangible capital assets and post employment benefits. Actual results may vary from the estimates and adjustments, if any, will be reported and reflected in operations, as they become known.

l) The Municipality recognizes the expenses relating to employee benefits in the period in which the employees render the services in return for the benefits, including compensated employee absences that accumulate but do not vest. Absences due to employee illness are paid when an injury or illness occurs, but entitlement to such compensation arises as employees render service. Entitlement to compensated absence due to illness or injury is measured as the expected future utilization of this benefit.

m) Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 25-40 |
| Equipment, furniture and vehicles | 5-15 |
| Water and waste water plant and networks | |
| Underground networks | 60-100 |
| Plants and lift stations | 50-100 |
| Pumping stations and reservoirs | 100 |
| Other infrastructure | 50-100 |
| Transportation | |
| Road surfaces | 15-25 |
| Road base structure | 75 |
| Poles and luminaries | 100 |
| Parks and other | |
| Land improvements | 10-40 |
| Playing fields and trails | 15-20 |
| Parking lots | 10-20 |

Contributions of tangible capital assets are recorded as an asset at their fair value at the date of receipt and as revenue.

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases and the associated asset is recorded at the lower of the present value of future minimum lease payments or fair value.

n) Liability For Contaminated Sites

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

i) an environmental standard exists;

ii) contamination exceeds the environmental standard;

iii) the Municipality is directly responsible or accepts responsibility; and

iv) is directly responsible; or

v) accepts responsibility; and

vi) a reasonable estimate of the amount can be made.

As at December 31, 2017 and 2016 the Municipality has reported no liabilities related to contaminated sites.

## 2. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

| | 2017 | 2016 |
|---|---|---|
| Due from federal government | $ 824,246 | $ 1,437,314 |
| Due from provincial government | 129,399 | 5,621 |
| Due from other governments | 47,197 | 164,439 |
| Other receivables | 633,160 | 620,051 |
| | **$ 1,634,002** | **$ 2,227,425** |

## 3. INVESTMENTS

Investments are comprised of the following:

| | 2017 | 2016 |
|---|---|---|
| Credit Union Term Deposits with maturities in excess of 90 days with interest rates from 1.75% to 1.95% | $ 3,489,877 | $ 1,350,000 |
| Emergency & Safety Reserve Term Deposit with interest rate of 1.95% | 108,900 | - |
| Parkland Reserve Credit Union Term Deposit with interest rate of 1.95% | 146,417 | 131,287 |
| Sewer Capital Reserve Term Deposit with interest rate of 1.95% | 159,257 | - |
| | **$ 3,904,451** | **$ 1,481,287** |

## 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Account payable is comprised of the following:

| | 2017 | 2016 |
|---|---|---|
| Due to federal government | $ 8,326 | $ 649 |
| Due to provincial government | 596 | 1,235 |
| Salaries, wages and benefits payable | 344,586 | 360,201 |
| Other payables | 1,001,450 | 1,240,385 |
| | **$ 1,354,958** | **$ 1,602,470** |

## 5. TRUST AND OTHER DEPOSITS

Trust and other deposits are securities and deposits held by the Municipality to ensure performance of requirements under contract or for approval of development or subdivision applications, or to safeguard against damages to facilities and infrastructure. The balance includes deposits collected for building, plumbing and development permits, subdivision and landscaping performance bonds, lien holdbacks and park and facility rentals.

## 6. BANK INDEBTEDNESS

The Municipality has an available unsecured line of credit of $750,000 from the First Line Credit Union bearing interest at prime. No balance was drawn on the line of credit as at December 31, 2017 (2016 – $Nil).

## 7. DEFERRED REVENUE

| | Balance 31-Dec-16 | Collections | Adjustments | Recognized As Revenue | Interest Income | Balance 31-Dec-17 |
|---|---|---|---|---|---|---|
| Deferred Revenue – DCC | | | | | | |
| Parks | $ 248,693 | $ 75,578 | $ - | $ (26,000) | $ 4,253 | $ 302,524 |
| Roads | 365,268 | 74,524 | - | (73,304) | 5,477 | 371,965 |
| Sanitary Sewer | 635,506 | 299,584 | - | (91,633) | 11,083 | 854,540 |
| Storm Drainage | 41,852 | 30,287 | - | (32,770) | 618 | 39,987 |
| Waterworks | 166,497 | 17,036 | - | (121,594) | 2,009 | 63,948 |
| | 1,457,816 | 497,009 | - | (345,301) | 23,440 | 1,632,964 |
| Other Deferred | 236,814 | 1,870,210 | - | (469,096) | 20,231 | 1,658,159 |
| | **$ 1,694,630** | **$ 2,367,219** | **$ -** | **$ (814,397)** | **$ 43,671** | **$ 3,291,123** |

## 8. CONTINGENT LIABILITIES

a) The Municipality's loan agreements with the Comox Valley Regional District and the Municipal Finance Authority provide that if at any time the scheduled payments required are not sufficient to meet obligations in regards to borrowings, the resulting deficiency becomes a joint and several liability of the Municipality and the other member Municipalities.

b) The Municipality is involved with a number of legal actions, the outcomes of which cannot be determined at this time. Management has determined that any potential liabilities arising from these outstanding claims are not significant.

c) As at December 31, 2017, there were various assessment appeals pending with respect to properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The Municipality makes a provision against property taxes receivable where the results of a specific appeal are reasonably determinable.

d) The Municipality is a Subscribed member of the Municipal Insurance Association of British Columbia (the "Exchange") as provided by Section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any Subscriber. Under the Reciprocal Insurance Exchange Agreement the Municipality is assessed a premium and specific deductible for its claims based on population. The obligation of the Municipality with respect to the Exchange and/or contracts and obligations entered in to by the Exchange on behalf of its Subscribers in connection with the Exchange are in every case several, and not joint and several.

e) The Municipality makes every reasonable effort to comply with all environmental regulations that apply to its operations. These regulations may require future expenditures to meet applicable standards. Amounts required to meet these obligations will be charged to operations when incurred or set aside as future reserves when they can be reasonably estimated.

During the year the Municipality's waste water system was audited by the Ministry of Environment and Climate Change Strategy and it was determined that there were instances where the Municipality was not in compliance with their permit. The Municipality is in the process of determining what, if any, fine will be levied and as a result no liability has been recorded.

## 9. LONG-TERM DEBT

a) The Municipality is party to several equipment loans financed through the Municipal Finance Authority for the acquisition of vehicles and operating equipment. Loan terms are five years or less. The vehicles and equipment under these loans have a carrying value of $537,976 (2016 - $646,793) and are recorded as non-financial assets in the statements.

The following is a schedule of future minimum loan payments under the equipment financing loans with various expiry dates to 2021 together with the balance of the obligations under the loans, which is included in the debenture and long-term debt as detailed in Schedule 2:

| | | |
|---|---|---|
| 2018 | $ | 158,512 |
| 2019 | | 124,529 |
| 2020 | | 64,610 |
| 2021 | | 8,292 |
| Total minimum loan payments | | 355,943 |
| Less: amount representing interest at rates from 1.34% to 1.5% | | (5,880) |
| Obligations under equipment loans | **$** | **350,063** |

b) Principal payments on debenture and long-term debt over the next five years are as follows:

| | | |
|---|---|---|
| 2018 | $ | 119,515 |
| 2019 | | 643,667 |
| 2020 | | 105,905 |
| 2021 | | 110,141 |
| 2022 | | 114,546 |
| Thereafter | | 1,488,813 |
| | **$** | **2,582,587** |

Total balance for equipment loans, debenture and long-term debt equal $2,932,650 (2016 - $3,163,478).

## 10. DEPOSITS AND RESERVES – MUNICIPAL FINANCE AUTHORITY

Under borrowing arrangements with the Municipal Finance Authority (MFA), the Municipality is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As the debt principal is retired, demand notes are released and the cash deposits are refunded and recorded as operating income in the period received.

As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default, and together with the demand notes are not recorded in the accounts. If the debt is repaid without default, the deposits are refunded to the Municipality.

Cash deposits at December 31, 2017 equal to $33,679 (2016 - $36,297) and are not reported elsewhere in these financial statements.

## 11. EMPLOYEE BENEFITS LIABILITY

Employees who retire qualify for a one time payout of up to 72 days of their accumulated unused sick leave bank after 10 years of service. The Municipality calculates the value of this liability for employees based on review of the total vested and non-vested accrued time to date. Probabilities of 10 – 100% are assigned based on years of service and length of time to retirement and discounted at 2.49%. At December 31, 2017, the value of sick leave for all vested employees is calculated at $99,557 (2016 - $102,853). The total estimated employee retirement benefit liability at December 31, 2017 is $216,356 (2016 - $227,964). Employee retirement benefit amounts are being funded by an accounting charge on sick time accrued during the year and are included in the accounts payable and accrued liabilities.

## 12. PENSION LIABILITY

The Municipality and its employees contribute to the Municipal Pension Plan (the “Plan”), a jointly trusteed pension plan. The Board of trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2016, the Plan has approximately 193,000 active members and approximately 90,000 retired members. Active members include approximately 28 contributors from the Municipality and 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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation as at 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 later 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 the individual employers participating in the Plan.

The Municipality paid $168,731 (2016 - $145,233) for employer contributions while employees contributed $149,163 (2016 - $130,562) to the Plan in fiscal 2017.

## 13. TRUST FUNDS

Cash and cash equivalents at December 31, 2017 held in trust by the Municipality for cemetery care equal to $55,727 (2016 - $62,925). Neither the assets nor related liabilities have been recorded in the financial statements.

## 14. ANNUAL BUDGET

Budget figures are based on the *2017-2021 Financial Plan Bylaw No. 1059, 2017* approved by Council in May of 2017. Figures are presented on the basis used for actual results and were adjusted as follows to comply with financial statement presentation:

| | |
|---|---|
| Surplus per 2017 – 2021 Financial Plan | $ - |
| Remove proceeds from borrowing | (1,143,910) |
| Remove principal payments on debt | 315,300 |
| Add back amortization | (1,046,800) |
| Remove capital acquisitions | 10,994,370 |
| Transfer to reserves | (1,964,860) |
| Surplus restated for financial statement purposes | **$ 7,154,100** |

During the year, the adopted budget can be amended and Council will adopt a new bylaw to reflect the approved amendments. A reconciliation between the original financial plan adopted by Council by May 15th of each year and the final amended financial plan bylaw is as follows:

| | Original Financial Plan Bylaw 1059 | Final Amended Financial Plan Bylaw 1076 | Difference |
|---|---|---|---|
| Revenues | $ (12,888,755) | $ (12,889,215) | $ (460) |
| Expenses | | | |
| General government services | 802,700 | 802,700 | - |
| Transportation services | 1,213,225 | 1,248,735 | 35,510 |
| Protective services | 618,500 | 618,500 | - |
| Environmental health services | 2,005,080 | 2,005,080 | - |
| Public health services | 35,005 | 37,845 | 2,840 |
| Environmental planning and development services | 302,635 | 302,635 | - |
| Recreation and cultural services | 1,128,250 | 1,128,710 | 460 |
| | 6,105,395 | 6,144,205 | 38,810 |
| Net (Revenues) Expenses | (6,783,360) | (6,745,010) | 38,350 |
| Adjustments | 9,118,960 | 9,175,960 | 57,000 |
| Transfers (from) to reserves | (1,964,860) | (2,034,210) | (69,350) |
| Development costs charges | (370,740) | (396,740) | (26,000) |
| | 6,783,360 | 6,745,010 | (38,350) |
| Transfer to/(from) accumulated surplus | $ - | $ - | $ - |

## 15. FEDERAL GAS TAX AGREEMENT FUNDS

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

Revenues under the Community Works Fund portion of the program will be recognized when allocated to the Municipality.

The Municipality continues to track the unspent amounts in the Community Works Reserve Fund. The continuity of this fund is presented in the table below:

| | 2017 | 2016 |
|---|---|---|
| Opening balance of unspent funds | $ 92,627 | $ 323,900 |
| Add: | | |
| Amounts received during the year | 197,836 | 195,843 |
| Interest earned on funds | 1,838 | 4,513 |
| Less: | | |
| Amounts allocated to projects during the year | (80,708) | (431,629) |
| Closing balance of unspent funds | **$ 211,593** | **$ 92,627** |

## 16. ACCUMULATED SURPLUS

Operating Funds - comprise the principal operating activities of the Municipality and are separated into General, Water, and Sanitary Sewer Funds.

Reserve Funds - created to hold cash, and investments for specific future requirements.

Equity In Tangible Capital Assets - used to record the acquisition and disposal of tangible capital assets and related financing and similarly separated into General, Water and Sanitary Sewer Funds.

| **Accumulated Surplus:** | **2017** | **2016** |
|---|---|---|
| Operating Funds **: | | |
| General Fund | $ 3,339,000 | $ 3,731,715 |
| Water Fund | 1,106,413 | 1,037,414 |
| Sanitary Sewer Fund | 395,437 | 440,524 |
| | 4,840,850 | 5,209,653 |
| Reserve Funds: | | |
| Emergency & Safety Reserve | 109,784 | - |
| Infrastructure Asset Renewal | 311,411 | 158,392 |
| Parkland Reserve | 147,606 | 131,709 |
| Land Sale Reserve | 1,108 | 1,091 |
| Sanitary Sewer Capital Works | 161,468 | 109,257 |
| | 731,377 | 400,449 |
| Equity In Tangible Capital Assets: | | |
| General Fund | 20,703,493 | 18,236,543 |
| Water Fund | 10,735,752 | 9,715,376 |
| Sanitary Sewer Fund | 13,949,307 | 13,300,264 |
| | 45,388,552 | 41,252,183 |
| Accumulated Surplus | **$ 50,960,779** | **$ 46,862,285** |

** The operating funds above have balances reserved within them for specific purposes and Community Works and Host Amenity funds are included in the reserved funds.

## 17. SEGMENTED INFORMATION

The Municipality is a diversified local government institution that provides a wide range of services to its citizens, including the provision of water, sewer, garbage disposal, recreation, parks, and cemetery services. The services and functions of the Municipality have been segregated or grouped based on factors such as delivery method, similarity in regulations, restrictions or cost recovery and the nature of the service as voluntary or essential services. Consideration has been given to comparability to other Municipal bodies.

The segments are categorized and described as follows:

**General Government**
This segment includes activities pertaining to the general administration and governance of the organization and those services that are provided on a centralized basis for all other segments and departments of the organization. Council, management, corporate and financial services are included as are other general costs which are not easily allocated to individual activity areas.

**Transportation Services**
This segment includes general road way maintenance and upgrade, street lighting, sidewalk and other general duties of the Public Works department. The Department is responsible to ensure transportation infrastructure is safe and well maintained.

**Protective Services**
This segment includes fire protection services, emergency preparedness, bylaw enforcement and animal control. The function's mandate is to ensure the safety of the lives and property of citizens and preserve peace and good order.

**Environmental Health Services**
The Water and Waste segment consists of three distinct utilities: sewerage and drainage, water, and solid waste disposal. The department provides collection and treatment of sewage and storm water, treatment and delivery of drinking water and contracts garbage collection and recycling services. Ensuring environmental and public safety standards are the key concern for the functions within this segment.

**Public Health Services**
The Municipality owns and/or operates three cemeteries. Although some of the maintenance activities are similar to those provided in the Parks function, a larger portion of the cost and activity is specific to performing cemetery services. The function has been segregated due to the unique regulatory requirements and because these services would be delivered as a separate business function in the private sector. The administrative and maintenance services for this function are divided between two departments but costs for administration are not substantial nor easily attributed to this function and are, therefore, not reallocated from General Government.

**Environmental Planning and Development Services**
The Planning Department manages land use planning, building and development functions. The department is responsible for ensuring that these functions are planned and managed to address environmental and building regulations, heritage matters and community and public concerns.

**Recreation and Cultural Services**
This segment captures all activities relating to the health and well-being of the citizens and community. The function includes recreational services such as a fitness centre and gym, facilities rentals and contributions to community and cultural events as well as provision and maintenance of parks and park facilities. The services in this category are not considered essential services but are important for economic and community development.

For each reported segment, revenues represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Property taxes, payments in lieu and the small community grant funds are apportioned based on budget with any variance in actual revenue being attributed back to General Government. All other revenues can be directly attributed to a particular segment. With the exception of some general fiscal services and centralized supply and services charged directly to the General Government function, all other costs are instigated for and charged directly to the specific segments when incurred.

# THE CORPORATION OF THE VILLAGE OF CUMBERLAND

**Tangible Capital Assets**

**For the Year Ended December 31, 2017**

| | Land | Building | Equipment / Furniture / Vehicles | Engineering Structures | | | Land Improvements | Assets Under Development | 2017 Total | 2016 Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Water | Sewer / Drainage | Roads | | | | |
| **Cost** | | | | | | | | | | |
| Opening balance | $ 6,006,730 | $ 1,401,072 | $ 3,668,854 | $ 11,331,615 | $ 16,568,460 | $ 21,105,008 | $ 1,808,226 | $ 3,155,202 | $ 65,045,167 | $ 60,708,328 |
| Add: Additions | 272,195 | - | 22,483 | 852,528 | 2,036,077 | 3,570,212 | 606,685 | 843,329 | 8,203,509 | 6,081,755 |
| Less: disposals | - | - | - | (129,038) | (158,415) | (1,468,341) | - | (3,000,718) | (4,756,512) | (1,744,916) |
| Closing balance | 6,278,925 | 1,401,072 | 3,691,337 | 12,055,105 | 18,446,122 | 23,206,879 | 2,414,911 | 997,813 | 68,492,164 | 65,045,167 |
| **Accumulated Amortization** | | | | | | | | | | |
| Opening balance | - | 1,379,162 | 1,993,003 | 2,647,941 | 2,612,195 | 10,875,801 | 1,121,404 | - | 20,629,506 | 20,609,596 |
| Add: amortization | - | 4,140 | 244,392 | 124,631 | 182,646 | 477,448 | 92,715 | - | 1,125,972 | 972,881 |
| Less: disposals | - | - | - | (80,366) | (58,320) | (1,445,830) | - | - | (1,584,516) | (952,971) |
| Closing balance | - | 1,383,302 | 2,237,395 | 2,692,206 | 2,736,521 | 9,907,419 | 1,214,119 | - | 20,170,962 | 20,629,506 |
| **Net Book Value, December 31, 2017** | $ 6,278,925 | $ 17,770 | $ 1,453,942 | $ 9,362,899 | $ 15,709,601 | $ 13,299,460 | $ 1,200,792 | $ 997,813 | $ 48,321,202 | |
| **Net Book Value, December 31, 2016** | $ 6,006,730 | $ 21,910 | $ 1,675,851 | $ 8,683,674 | $ 13,956,265 | $ 10,229,207 | $ 686,822 | $ 3,155,202 | | $ 44,415,661 |

**SCHEDULE 2**

**THE CORPORATION OF THE VILLAGE OF CUMBERLAND**
**Debenture and Long-Term Debt**
**As at December 31, 2017**

| | 2017 | 2016 |
|---|---|---|
| **General Capital Fund** | | |
| Equipment Financing Loans with various expiry dates to 2021, interest charged at floating rate (currently at 2.11%), secured by equipment with carrying value of $537,976 (2016 - $646,793) | $ 350,063 | $ 507,596 |
| Short-term loan Comox Lake Road 5 year loan # 305-6 interest charged at floating rate (currently at 2.11%), | 42,995 | 85,090 |
| | 393,058 | 592,686 |
| **Water Capital Fund** | | |
| Debenture Debt Water Bylaw #702, due 2017, interest charged at 4.52%, fully paid in 2017 | - | 10,470 |
| Interim Construction Financing Temporary Borrowing Bylaw #982, interest charged at floating rate (currently at 2.11%), | 447,021 | 447,021 |
| Temporary Borrowing Bylaw #1066 interest charged at floating rate (currently at 2.11%), | 73,419 | - |
| | 520,440 | 457,491 |
| **Sewer Capital Fund** | | |
| Debenture Debt Sanitary Sewer Improvements Bylaw #781, due 2036 interest charged at 2.1% annual principal payment of $15,797 | 672,950 | 696,334 |
| Sanitary Sewer Improvements Bylaw #914, due 2031 interest charged at 3.25% annual principal payment of $58,164 | 1,346,202 | 1,416,967 |
| | 2,019,152 | 2,113,301 |
| **Total Debenture and Long-Term Debt** | **$ 2,932,650** | **$ 3,163,478** |

**SCHEDULE 3**

**THE CORPORATION OF THE VILLAGE OF CUMBERLAND**
**Segment Disclosure**
**For the Year Ended December 31, 2017**

| | General government services | | Transportation services | | Protective services | | Environmental health services | | Public health services | | Environmental planning and development services | | Recreation and cultural services | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Revenue** | | | | | | | | | | | | | | | | |
| Tax revenue | $ 527,174 | $ 320,094 | $ 812,038 | $ 843,471 | $ 373,042 | $ 356,243 | $ 322,203 | $ 183,282 | $ 13,010 | $ 32,912 | $ 112,082 | $ 98,984 | $ 586,900 | $ 664,529 | $ 2,746,449 | $ 2,499,515 |
| Sale of services | - | - | - | - | 152,336 | 150,273 | 1,574,283 | 1,382,643 | 13,885 | 13,525 | - | - | 245,624 | 185,145 | 1,986,128 | 1,731,586 |
| Transfer from other governments | 617,911 | 609,774 | 1,858,961 | 1,189,462 | 96,883 | 93,111 | 833,922 | 891,275 | 3,188 | 5,515 | 25,229 | 23,840 | 151,700 | 122,200 | 3,587,794 | 2,935,177 |
| Other revenues and contributions | 141,536 | 103,190 | 451,630 | 752,406 | 28,565 | 29,209 | 682,613 | 896,065 | 6 | 86 | 257,758 | 111,423 | 360,012 | 759,784 | 1,922,120 | 2,652,163 |
| **Total revenues** | 1,286,621 | 1,033,058 | 3,122,629 | 2,785,339 | 650,826 | 628,836 | 3,413,021 | 3,353,265 | 30,089 | 52,038 | 395,069 | 234,247 | 1,344,236 | 1,731,658 | 10,242,491 | 9,818,441 |
| **Expenses** | | | | | | | | | | | | | | | | |
| Wages, salaries and benefits | 424,381 | 371,574 | 457,144 | 407,091 | 331,411 | 314,436 | 594,472 | 578,439 | 13,400 | 9,480 | 165,806 | 150,314 | 532,204 | 525,055 | 2,518,818 | 2,356,389 |
| Good and services | 326,843 | 285,659 | 346,294 | 339,564 | 149,777 | 139,559 | 718,527 | 733,880 | 26,099 | 12,298 | 147,583 | 111,543 | 524,128 | 524,471 | 2,239,251 | 2,146,974 |
| Debt expense | - | 3,770 | 5,210 | 17,974 | 1,565 | 4,658 | 80,868 | 103,229 | - | - | - | - | 1,035 | 1,167 | 88,678 | 130,798 |
| Amortization | 25,742 | 25,742 | 561,380 | 442,533 | 47,855 | 46,121 | 376,057 | 361,412 | 1,556 | 1,313 | - | - | 113,382 | 95,760 | 1,125,972 | 972,881 |
| Loss/(Gain) on disposal of assets | - | - | 22,511 | 36,876 | - | (17,592) | 148,767 | - | - | - | - | - | - | - | 171,278 | 19,284 |
| ***Total Expenses*** | 776,966 | 686,745 | 1,392,539 | 1,244,038 | 530,608 | 487,182 | 1,918,691 | 1,776,960 | 41,055 | 23,091 | 313,389 | 261,857 | 1,170,749 | 1,146,453 | 6,143,997 | 5,626,326 |
| **Annual Surplus (Deficit)** | **$ 509,655** | **$ 346,313** | **$ 1,730,090** | **$ 1,541,301** | **$ 120,218** | **$ 141,654** | **$ 1,494,330** | **$ 1,576,305** | **$ (10,966)** | **$ 28,947** | **$ 81,680** | **$ (27,610)** | **$ 173,487** | **$ 585,205** | **$ 4,098,494** | **$ 4,192,115** |

**SCHEDULE 4**

**THE CORPORATION OF THE VILLAGE OF CUMBERLAND**
**Segment Disclosure With Budget Information**
**For the Year Ended December 31, 2017**

| | General government services | | Transportation services | | Protective services | | Environmental health services | | Public health services | | Environmental planning and development services | | Recreation and cultural services | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget |
| **Revenue** | | | | | | | | | | | | | | | | |
| Tax revenue | $ 527,174 | $ 527,220 | $ 812,038 | $ 812,095 | $ 373,042 | $ 373,070 | $ 322,203 | $ 321,700 | $ 13,010 | $ 13,010 | $ 112,082 | $ 112,090 | $ 586,900 | $ 586,935 | $ 2,746,449 | $ 2,746,120 |
| Sale of services | - | - | - | - | 152,336 | 175,360 | 1,574,283 | 1,501,370 | 13,885 | 14,300 | - | - | 245,624 | 139,350 | 1,986,128 | 1,830,380 |
| Transfer from other governments | 617,911 | 607,735 | 1,858,961 | 1,738,700 | 96,883 | 94,935 | 833,922 | 5,173,300 | 3,188 | 3,475 | 25,229 | 24,570 | 151,700 | 150,340 | 3,587,794 | 7,793,055 |
| Other revenue and contributions | 141,536 | 94,070 | 451,630 | 201,225 | 28,565 | 26,220 | 682,613 | 399,805 | 6 | 10 | 257,758 | 113,815 | 360,012 | 54,795 | 1,922,120 | 889,940 |
| **Total revenue** | 1,286,621 | 1,229,025 | 3,122,629 | 2,752,020 | 650,826 | 669,585 | 3,413,021 | 7,396,175 | 30,089 | 30,795 | 395,069 | 250,475 | 1,344,236 | 931,420 | 10,242,491 | 13,259,495 |
| **Expenses** | | | | | | | | | | | | | | | | |
| Wages, salaries and benefits | 424,381 | 438,410 | 457,144 | 417,355 | 331,411 | 381,940 | 594,472 | 648,495 | 13,400 | 10,000 | 165,806 | 168,230 | 532,204 | 532,865 | 2,518,818 | 2,597,295 |
| Good and services | 326,843 | 337,975 | 346,294 | 356,980 | 149,777 | 184,115 | 718,527 | 849,115 | 26,099 | 22,600 | 147,583 | 134,405 | 524,128 | 478,975 | 2,239,251 | 2,364,165 |
| Debt expense | - | - | 5,210 | 5,365 | 1,565 | 1,420 | 80,868 | 89,410 | - | - | - | - | 1,035 | 940 | 88,678 | 97,135 |
| Amortization | 25,742 | 26,315 | 561,380 | 433,525 | 47,855 | 51,025 | 376,057 | 418,060 | 1,556 | 2,405 | - | - | 113,382 | 115,470 | 1,125,972 | 1,046,800 |
| Loss/(Gain) on disposal of assets | - | - | 22,511 | - | - | - | 148,767 | - | - | - | - | - | - | - | 171,278 | - |
| **Total expenses** | 776,966 | 802,700 | 1,392,539 | 1,213,225 | 530,608 | 618,500 | 1,918,691 | 2,005,080 | 41,055 | 35,005 | 313,389 | 302,635 | 1,170,749 | 1,128,250 | 6,143,997 | 6,105,395 |
| **Annual Surplus (Deficit)** | **$ 509,655** | **$ 426,325** | **$ 1,730,090** | **$ 1,538,795** | **$ 120,218** | **$ 51,085** | **$ 1,494,330** | **$ 5,391,095** | **$ (10,966)** | **$ (4,210)** | **$ 81,680** | **$ (52,160)** | **$ 173,487** | **$ (196,830)** | **$ 4,098,494** | **$ 7,154,100** |