

**The Corporation of the City of
North Vancouver**
Consolidated Financial Statements
For the year ended December 31, 2017

Statement of Management Responsibility

The Council of the Corporation of the City of North Vancouver (“City”) has delegated the responsibility for the integrity and objectivity of the financial information contained in the consolidated financial statements to the management of the City. The consolidated financial statements which, in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are executed and recorded in accordance with authorization, and that financial records are reliable for preparation of financial statements.

The Mayor and Council oversee management’s responsibilities for the financial reporting and internal control systems. Council annually reviews and approves the consolidated financial statements.

The City’s independent auditors, BDO Canada LLP, are engaged to express an opinion as to whether the City’s consolidated financial statements present fairly in all material respects the financial position of the City as at December 31, 2017, and the results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted auditing standards.

The consolidated financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards.



Director of Finance

April 23, 2018



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Independent Auditor's Report

To the Mayor and Council of the Corporation of the City of North Vancouver

We have audited the accompanying consolidated financial statements of the Corporation of the City of North Vancouver, which comprise the Consolidated Statement of Financial Position as at December 31, 2017, and the Consolidated Statements of Operations, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of North Vancouver as at December 31, 2017, and the results of its operations, changes in net financial assets, and its 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

**The Corporation of the City of North Vancouver
Consolidated Statement of Financial Position
As at December 31, 2017 with comparative figures for 2016
(in thousands of dollars)**

	<u>2017</u>	<u>2016</u>
		Recast (note 14)
FINANCIAL ASSETS		
Cash	\$ 7,747	\$ 6,716
Temporary investments (note 3(a))	44,888	43,548
Portfolio investments (note 3(b))	118,413	106,934
Investment in Lonsdale Energy Corp. (note 4)	1,534	734
Due from other governments	3,853	3,421
Accounts receivable	8,954	9,357
Loan to Lonsdale Energy Corp. (note 5)	19,242	15,045
Interest receivable	12,741	11,426
	<u>217,372</u>	<u>197,181</u>
LIABILITIES		
Accounts payable and accrued liabilities	19,098	23,447
Deferred revenue	27,724	23,740
Deferred development cost charges	19,266	18,357
Long-term debt (note 6)	1,098	1,293
Employee future benefits (note 7)	8,258	8,351
Advances and other liabilities	10,772	9,901
	<u>86,216</u>	<u>85,089</u>
	<u>131,156</u>	<u>112,092</u>
NET FINANCIAL ASSETS		
NON-FINANCIAL ASSETS		
Tangible capital assets (note 8)	381,939	359,066
Inventories	693	642
Prepaid expenses	1,480	2,334
	<u>384,112</u>	<u>362,042</u>
ACCUMULATED SURPLUS (note 9)	<u>\$ 515,268</u>	<u>\$ 474,134</u>

Commitments and contingencies (note 10)
See accompanying notes to the consolidated financial statements



Director of Finance

The Corporation of the City of North Vancouver
Consolidated Statement of Operations
Year ended December 31, 2017 with comparative figures for 2016
(in thousands of dollars)

	2017 Budget	2017	2016
	(notes 2(h) and 13)		Recast (note 14)
REVENUE			
Property value tax	\$ 56,169	\$ 56,218	\$ 53,684
Parcel taxes	2,774	2,811	2,526
Licences and permits	3,588	5,797	4,209
Fines and fees	4,234	5,102	5,024
Rent	1,652	2,100	1,560
Interest and penalties	2,114	5,315	5,248
Sale of services	25,500	26,996	25,456
Rebate and recoveries	85	118	179
Grants and other	6,797	9,261	11,205
Developer contributions and other transfers	257	29,263	14,917
Gains (losses) on disposition of assets	-	2,733	(827)
Lonsdale Energy Corp. income (note 4)	-	800	19
	<u>103,170</u>	<u>146,514</u>	<u>123,200</u>
EXPENSES			
General government	16,213	16,821	21,221
Transportation and transit	5,494	7,161	6,448
Health, social services and housing	2,520	2,718	2,399
Development services	5,134	5,216	4,520
Protective services	25,926	24,617	23,878
Parks, recreation and culture	26,400	26,489	24,407
Water utilities	9,532	10,009	9,208
Sewer utilities	8,163	8,404	8,418
Solid waste	4,488	3,945	3,529
	<u>103,870</u>	<u>105,380</u>	<u>104,028</u>
Total expenses (note 12)	<u>103,870</u>	<u>105,380</u>	<u>104,028</u>
Annual surplus (deficit)	(700)	41,134	19,172
Accumulated surplus beginning of year	<u>474,134</u>	<u>474,134</u>	<u>454,962</u>
Accumulated surplus end of year	<u>\$ 473,434</u>	<u>\$ 515,268</u>	<u>\$ 474,134</u>

See accompanying notes to the consolidated financial statements

The Corporation of the City of North Vancouver
Consolidated Statement of Change in Net Financial Assets
Year ended December 31, 2017 with comparative figures for 2016
(in thousands of dollars)

	2017 Budget	2017	2016
	(notes 2(h) and 13)		Recast (note 14)
Annual surplus (deficit)	\$ (700)	\$ 41,134	\$ 19,172
Acquisition of tangible capital assets	(74,911)	(27,488)	(27,419)
Non-cash developer contributed assets and found assets	-	(15,747)	(10,968)
Proceeds on sale of tangible capital assets	-	9,128	256
Depreciation of tangible capital assets	13,600	13,967	13,464
Loss (gain) on disposition of tangible capital assets	-	(2,733)	827
	<u>(61,311)</u>	<u>(22,873)</u>	<u>(23,840)</u>
Acquisition of inventories	-	(1,123)	(1,126)
Acquisition of prepaid expenses	-	(1,983)	(2,310)
Use of inventories	-	1,072	991
Use of prepaid expenses	-	2,837	1,473
	<u>-</u>	<u>803</u>	<u>(972)</u>
Increase (decrease) in net financial assets	(62,011)	19,064	(5,640)
Net financial assets, beginning of year	<u>112,092</u>	<u>112,092</u>	<u>117,732</u>
Net financial assets, end of year	<u>\$ 50,081</u>	<u>\$ 131,156</u>	<u>\$ 112,092</u>

See accompanying notes to the consolidated financial statements

The Corporation of the City of North Vancouver
Consolidated Statement of Cash Flows
Year ended December 31, 2017 with comparative figures for 2016
(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
		Recast (note 14)
Cash provided by (used for):		
Operating Transactions		
Annual surplus	\$ 41,134	\$ 19,172
Items not involving cash:		
Depreciation expense	13,967	13,464
(Gain) loss on disposal of tangible capital assets	(2,733)	827
Non-cash developer contributed assets and found assets	(15,747)	(10,968)
Lonsdale Energy Corp. income	(800)	(19)
Changes in non-cash operating items:	-	
(Increase) decrease in due from other governments	(432)	696
Decrease (increase) in accounts receivable	403	(275)
Increase in loan to Lonsdale Energy Corp.	(4,197)	(1,394)
Increase in interest receivable	(1,315)	(1,040)
(Decrease) increase in accounts payable and accrued liabilities	(4,349)	9,041
Increase (decrease) increase in deferred revenue	3,984	(2,446)
Increase (decrease) in deferred development cost charges	909	(5,384)
(Decrease) increase in accrued employee future benefits	(93)	186
Decrease in advances and other liabilities	871	2,020
Increase in inventories	(51)	(135)
Decrease (increase) in prepaid expenses	854	(837)
	<u>32,405</u>	<u>22,908</u>
Capital Transactions		
Cash used to acquire tangible capital assets	(27,488)	(27,419)
Proceeds from sale of tangible capital assets	9,128	256
	<u>(18,360)</u>	<u>(27,163)</u>
Investing Transactions		
Increase in temporary investments	(1,340)	(918)
Decrease (increase) in portfolio investments	(11,479)	6,227
	<u>(12,819)</u>	<u>5,309</u>
Financing Transactions		
Repayment of long-term debt	(195)	(187)
Increase in cash	1,031	867
Cash, beginning of year	<u>6,716</u>	<u>5,849</u>
Cash, end of year	<u>\$ 7,747</u>	<u>\$ 6,716</u>

See accompanying notes to the consolidated financial statements

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
(tabular amounts in thousands of dollars)**

1. OPERATIONS

The City of North Vancouver (the "City") was incorporated in 1907 and operates under the provisions of the Community Charter and the Local Government Act of British Columbia. The City's principal activity is the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water and sanitary services.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City have been prepared in accordance with Canadian public sector accounting standards, as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada. The significant accounting policies are summarized below:

(a) Basis of Presentation

The consolidated financial statements include the accounts of all the funds of the City, the accounts of the North Vancouver City Library, which is controlled by the City, the City's 33% proportionate share of the operations of the North Vancouver Recreation Commission, and the City's 50% proportionate share of the operations of the North Vancouver Museum and Archives Commission. The City's investment in Lonsdale Energy Corporation ("LEC"), a wholly owned government business enterprise, is accounted for using the modified equity method.

The City participates with the District of North Vancouver in the operation and management of the North Vancouver Recreation Commission, and the City includes its proportionate share in the City's consolidated financial statements. The current agreement specifies that the operating costs shall be paid 33% (2016 – 33%) by the City and 67% (2016 – 67%) by the District of North Vancouver. Each municipality is responsible for its own facilities and pays 100% of all capital costs relating to improvement, expansion and replacement of buildings or facility equipment.

The City also participates with the District of North Vancouver in the operation and management of the North Vancouver Museum and Archives Commission, and the City includes its proportionate share in the City's consolidated financial statements. The current agreement specifies that the operating costs shall be paid 50% (2016 – 50%) by the City and 50% (2016 – 50%) by the District of North Vancouver. Each municipality is responsible for its own facilities and pays 100% of all capital costs relating to improvement, expansion and replacement of buildings or facility equipment.

(b) Basis of Accounting

Revenue is recorded on an accrual basis and recognized when earned. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

(c) Revenue Recognition

Taxes are recognized as revenue in the year they are levied. 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. Any additional adjustments required over that estimated are recognized at the time they are awarded. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. Levies imposed for Regional District services and other taxing authorities are not included.

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

Sale of service and other revenue are recognized on an accrual basis.

(d) Deferred Revenue

Deferred revenue consists of prepaid property taxes, prepaid business licenses, and fees paid in advance for services yet to be provided.

(e) Development Cost Charges

Development cost charges collected to pay for future capital projects are deferred upon receipt and recognized as revenue when the capital costs for which they were collected are incurred.

(f) Temporary Investments

Temporary investments include bank issued notes and bonds and provincial bonds and debentures maturing in the subsequent year and are valued at the lower of cost or market value.

(g) Portfolio Investments

Portfolio investments include bank issued notes and bonds and provincial bonds and debentures maturing after the subsequent year end. Securities are recorded at their cost and written down to reflect losses in value that are other than temporary.

(h) Budget Figures

The budget figures are based on the ten year financial plan adopted on April 10, 2017.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

(i) Government Transfers

Unrestricted government transfers are recognized as revenue in the year that the transfer is authorized by the issuing government and any eligibility criteria have been met. Restricted government transfers, in the way of grants or other transfers, are recognized as revenue in the year in which any stipulations that create liabilities are met.

(j) Employee Future Benefits

The City and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer plan, contributions are expensed as incurred.

Sick leave and post-employment benefits also accrue to the City's employees. The liabilities related to these benefits are actuarially determined based on services and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefits plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(k) Long-term Debt

Long-term debt is recorded in the consolidated financial statements net of repayments and sinking fund adjustments.

(l) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of business.

(i) Tangible Capital Assets

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

Land improvements	Straight line over useful life of each asset unit	10 – 100 years
Parks	Straight line over useful life of each asset unit	10 – 75 years
Buildings	Straight line over useful life of each asset unit	10 – 100 years
Machinery & equipment	Straight line over useful life of each asset unit	3 – 25 years
Vehicles	Straight line over useful life of each asset unit	6 – 25 years
Infrastructure	Straight line over useful life of each asset unit	7 – 100 years
Library materials	Straight line over useful life of each asset unit	2 – 5 years
Work in progress	Not depreciated until put into use	

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
(tabular amounts in thousands of dollars)**

(l) Non-Financial Assets (cont'd)

(ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions or transfers from developers are recorded at their estimated fair value at the date of receipt and also are recorded as revenue.

(iii) Works of Art and Historic Assets

Works of art and historic assets are not recorded as assets in these consolidated financial statements.

(iv) Natural Resources

Horticultural assets such as treed areas, grassy areas and gardens are not recognized as assets in the consolidated financial statements.

(v) Interest Capitalization

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

(vi) Leased Tangible Capital Assets

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

(vii) Inventories

Inventories held for consumption are recorded at the lower of weighted average cost and replacement cost.

(m) Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the disclosure of contingent liabilities. Areas requiring significant estimation are post-employment benefits, compensated absences and termination benefits and estimated useful life of tangible capital assets. Actual results could differ from these estimates.

(n) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information related to expenses. See note 12.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

(o) Contaminated Sites

A liability for contaminated sites is recognized when a site is not in productive use or an unexpected event has occurred and the following criteria are met:

- i) An environmental standard exists;
- ii) Contamination exceeds the environmental standard;
- iii) The City is directly responsible or accepts responsibility;
- iv) It is expected that future economic benefits will be given up; and
- v) 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.

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
(tabular amounts in thousands of dollars)

3. INVESTMENTS

(a) Temporary Investments

The fair value of temporary investments at December 31, 2017 was \$45,656,327 (2016 - \$44,179,066). These investments range in maturity date from January 5, 2018 to December 11, 2018, and range in yield from 1.20% to 5.91%.

(b) Portfolio Investments

The fair value of portfolio investments at December 31, 2017 was \$130,643,198 (2016 - \$120,305,984). These investments range in maturity from March 21, 2019 to May 15, 2031, and range in yield from 1.82% to 7.52%.

4. INVESTMENT IN LONSDALE ENERGY CORPORATION ("LEC")

The City owns all the issued and outstanding shares of LEC, which was incorporated under the British Columbia Company Act on July 7, 2003. LEC operates a district energy system providing hydronic energy to residential, institutional and commercial buildings in the Lonsdale and Marine Drive – Harbourside areas of the City of North Vancouver.

Summarized financial information relating to LEC is as follows:

	2017	2016
Cash and accounts receivable	\$ 2,701	\$ 1,001
Tangible capital assets	26,517	22,654
Other assets	520	461
Total assets	<u>\$ 29,738</u>	<u>\$ 24,116</u>
Accounts payable and accrued liabilities	\$ 1,496	\$ 1,284
Deferred contributions	6,368	5,760
Debt	20,340	16,338
Total liabilities	<u>\$ 28,204</u>	<u>\$ 23,382</u>
Shareholder's equity	<u>\$ 1,534</u>	<u>\$ 734</u>
Total revenue	\$ 4,300	\$ 3,127
Total expenses	3,500	3,108
Net income	<u>\$ 800</u>	<u>\$ 19</u>

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
(tabular amounts in thousands of dollars)**

4. INVESTMENT IN LONSDALE ENERGY CORPORATION (“LEC”) (con’t)

Included in the City’s consolidated statement of financial position is “Investment in Lonsdale Energy Corp.” in the amount of \$1,534,000 (2016 - \$734,000) and a loan receivable, see note 5. Also, included in accounts receivable in the City’s consolidated statement of financial position are receivables from LEC in the amount of \$416,000 (2016 - \$332,000).

5. LOAN TO LONSDALE ENERGY CORPORATION (“LEC”)

The loan receivable balance of \$19,241,926 (2016 - \$15,045,195) consists of the following interest bearing promissory notes:

On December 16, 2013, the City converted amounts due from LEC to a 5-year demand term loan bearing interest at 2.1%. Additional funding may be made available to LEC under the terms of the agreement to a maximum of \$12,000,000. The funding was fully used in the year and LEC has made a first re-payment of \$450,000 on the term loan. The balance owing at December 31, 2017 is \$11,550,000 (2016 - \$11,983,000).

On July 8, 2015, LEC issued a promissory note to the City in the amount of \$2,000,000. On November 25, 2015, LEC issued a promissory note to the City in the amount of \$612,000. Both notes were fully drawn. During the year LEC issued additional promissory notes, that have been partially drawn upon, to the City with a balance owing at December 31, 2017 of \$5,080,000 (2016 - \$3,062,000).

All loans are due on demand and bear interest at 2.1%. Interest revenue of \$351,790 (2016 - \$296,900) has been included in the consolidated statement of operations.

At the maturity date of the loan to LEC, the City may, at its discretion, extend the terms of the loan in whole or in part or LEC may repay the loan in whole or in part using either internal or external financing.

6. LONG-TERM DEBT

The City has financed the expansion of LEC by assuming debt on behalf of LEC through the Municipal Finance Authority in accordance with the Community Charter. Debt principal is reported net of repayments and actuarial adjustments. The City carries no other long-term debt. The total debt issued and outstanding as at December 31, 2017 was \$1,097,739 (2016 - \$1,292,616).

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
(tabular amounts in thousands of dollars)

6. LONG-TERM DEBT (con't)

Future principal re-payments and actuarial adjustments on net outstanding debt over the next five years are as follows:

	<u>2017</u>
2018	\$ 202,672
2019	210,779
2020	219,210
2021	227,979
2022	<u>237,099</u>
	<u>\$ 1,097,739</u>

Interest expense of \$6,000 (2016 - \$6,000) has been included in the Consolidated Statement of Operations. The interest rate on long-term debt is 0.3% per annum.

7. EMPLOYEE FUTURE BENEFITS

(a) Sick and Severance

Employees of the City are entitled to payments related to unused sick leave and severance upon retirement or resignation after ten years of service. The amount recorded for these benefits is based on an actuarial valuation done by an independent firm of actuaries using a projected benefit actuarial valuation method pro-rated on services. The most recent actuarial valuation of the City's future benefits was completed as at December 31, 2017.

Information regarding the City's obligations for these benefits, including its proportionate share of the North Vancouver City Library, North Vancouver Recreation Commission, and North Vancouver Museum and Archives Commission, is as follows:

	<u>2017</u>	<u>2016</u>
Benefit obligation - beginning of the year	\$ 7,380	\$ 7,867
Add: Current service costs	607	607
Interest on accrued benefit obligation	254	246
Less: Actuarial (gain) loss	495	(665)
Benefits paid	<u>(874)</u>	<u>(675)</u>
Benefit obligation - end of the year	\$ 7,862	\$ 7,380
Add: Unamortized actuarial gain	<u>396</u>	<u>971</u>
Accrued benefit liability - end of the year	<u>\$ 8,258</u>	<u>\$ 8,351</u>

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
(tabular amounts in thousands of dollars)

7. EMPLOYEE FUTURE BENEFITS (con't)

The significant actuarial assumptions adopted in measuring the City's accrued benefit liability are as follows:

	2017	2016
Discount rates	2.90%	3.30%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2.58% to 4.63%	2.58% to 4.63%

The unamortized actuarial gain is amortized over a period equal to the employees' average remaining service lifetime of eleven years for the City.

(b) Council Retirement Stipend

Starting 2005, Council Members are entitled to a retirement stipend based on 10.06% of the individual's total indemnity received subsequent to 2002. These amounts are accrued as earned and recorded in accounts payable and accrued liabilities.

8. TANGIBLE CAPITAL ASSETS

2017	Land	Land Improvements	Parks	Buildings	Machinery & Equipment	Vehicles	Infrastructure	Library Materials	Work in Progress	Total
Costs										
Balance beginning of year	\$ 30,251	\$ 50,259	\$ 38,822	\$ 116,849	\$ 17,476	\$ 9,241	\$ 223,757	\$ 943	\$ 34,443	\$ 522,041
Additions	5,685	5,554	4,515	11,352	2,317	2,044	6,123	211	36,402	74,203
Disposals	571	-	571	5,144	568	203	2,313	218	30,971	40,559
Balance end of year	<u>\$ 35,365</u>	<u>\$ 55,813</u>	<u>\$ 42,766</u>	<u>\$ 123,057</u>	<u>\$ 19,225</u>	<u>\$ 11,082</u>	<u>\$ 227,567</u>	<u>\$ 936</u>	<u>\$ 39,874</u>	<u>\$ 555,685</u>
Accumulated Depreciation										
Balance beginning of year	\$ -	\$ 8,934	\$ 11,438	\$ 47,719	\$ 11,441	\$ 5,476	\$ 77,496	\$ 471	\$ -	\$ 162,975
Depreciation	-	1,524	1,447	4,657	1,554	542	4,025	218	-	13,967
Disposals	-	-	372	24	568	159	1,855	218	-	3,196
Balance end of year	<u>\$ -</u>	<u>\$ 10,458</u>	<u>\$ 12,513</u>	<u>\$ 52,352</u>	<u>\$ 12,427</u>	<u>\$ 5,859</u>	<u>\$ 79,666</u>	<u>\$ 471</u>	<u>\$ -</u>	<u>\$ 173,746</u>
Net Book Value	<u>\$ 35,365</u>	<u>\$ 45,355</u>	<u>\$ 30,253</u>	<u>\$ 70,705</u>	<u>\$ 6,798</u>	<u>\$ 5,223</u>	<u>\$ 147,901</u>	<u>\$ 465</u>	<u>\$ 39,874</u>	<u>\$ 381,939</u>
2016 Recast (note 14)										
2016 Recast (note 14)	Land	Land Improvements	Parks	Buildings	Machinery & Equipment	Vehicles	Infrastructure	Library Materials	Work in Progress	Total
Costs										
Balance beginning of year	\$ 27,530	\$ 49,874	\$ 38,254	\$ 110,982	\$ 16,758	\$ 9,024	\$ 210,578	\$ 949	\$ 23,805	\$ 487,754
Additions	2,722	385	675	5,867	1,291	420	16,161	227	34,443	62,191
Disposals	1	-	107	-	573	203	2,982	233	23,805	27,904
Balance end of year	<u>\$ 30,251</u>	<u>\$ 50,259</u>	<u>\$ 38,822</u>	<u>\$ 116,849</u>	<u>\$ 17,476</u>	<u>\$ 9,241</u>	<u>\$ 223,757</u>	<u>\$ 943</u>	<u>\$ 34,443</u>	<u>\$ 522,041</u>
Accumulated Depreciation										
Balance beginning of year	\$ -	\$ 7,559	\$ 10,158	\$ 43,431	\$ 10,456	\$ 5,126	\$ 75,316	\$ 483	\$ -	\$ 152,529
Depreciation	-	1,375	1,359	4,288	1,558	523	4,137	221	-	13,461
Disposals	-	-	79	-	573	173	1,957	233	-	3,015
Balance end of year	<u>\$ -</u>	<u>\$ 8,934</u>	<u>\$ 11,438</u>	<u>\$ 47,719</u>	<u>\$ 11,441</u>	<u>\$ 5,476</u>	<u>\$ 77,496</u>	<u>\$ 471</u>	<u>\$ -</u>	<u>\$ 162,975</u>
Net Book Value	<u>\$ 30,251</u>	<u>\$ 41,325</u>	<u>\$ 27,384</u>	<u>\$ 69,130</u>	<u>\$ 6,035</u>	<u>\$ 3,765</u>	<u>\$ 146,261</u>	<u>\$ 472</u>	<u>\$ 34,443</u>	<u>\$ 359,066</u>

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
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8. TANGIBLE CAPITAL ASSETS (con't)

(a) Work in Progress

Work in progress having a value of \$ 39,874,000 (2016 - \$34,443,000) has not been amortized. Amortization of these assets will commence when the asset is in service.

(b) Developer Contributed Tangible Capital Assets and Other Transfers

Developer contributed tangible capital assets and other transfers have been recognized at their estimated fair value at the date of contribution. Developer contributed tangible capital assets and other transfers of \$15,747,000 (2016 - \$10,968,000) have been recognized during the year.

(c) Works of Art and Historic Assets

The City manages and controls various works of art and non-operational historic assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded in the consolidated financial statements of the City.

(d) Write-Down of Tangible Capital Assets

There were no write-downs of tangible capital assets during the current or prior year.

9. ACCUMULATED SURPLUS

	2017 Actual	Recast 2016 Actual
Current Funds - general, water and sewer	\$ 30,826	\$ 27,435
Reserve fund	91,918	79,047
Capital fund	392,524	367,652
Accumulated surplus, end of year	<u>\$ 515,268</u>	<u>\$ 474,134</u>

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Notes to Consolidated Financial Statements
Year ended December 31, 2017
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9. ACCUMULATED SURPLUS (con't)

(a) Current Funds - general, water and sewer

	2017	2016
Appropriated:		
General funds	\$ 11,781	\$ 12,075
Water fund	761	61
Sewer fund	9,197	8,287
Unappropriated:		
General funds	8,273	6,198
Sewer fund	814	814
	<u>\$ 30,826</u>	<u>\$ 27,435</u>

(b) Reserve Funds

	Balance December 31, 2016	Contributions & Transfers	Earnings	Less Expenditures	Balance December 31, 2017
Machinery and Equipment					
Engineering	\$ 3,274	\$ 400	\$ 123	\$ 220	\$ 3,577
Fire	1,211	350	20	1,406	175
General	188	-	8	93	103
Computer	1,886	42	44	893	1,079
Building	1,491	-	34	705	820
Local Improvements	759	5	23	5	782
Affordable Housing	2,907	1,298	105	11	4,299
Tax Sale Lands	30,450	-	5,551	2,333	33,668
Waterworks	6,484	-	186	441	6,229
Parking	243	-	246	84	405
Civic Amenity	23,874	12,684	5,556	6,153	35,961
Justice Administration Accomodation	155	-	4	8	151
Streets DCC	-	234	-	234	-
Parks DCC	4	840	(3)	841	-
Lower Lonsdale Amenity	1,823	-	38	1,315	546
Lower Lonsdale Legacy	2,584	-	77	-	2,661
Infrastructure	336	66	205	534	73
Public Art	342	143	11	59	437
Marine Drive Community Amenity	326	-	10	-	336
Sustainable Transportation	341	88	8	153	284
Carbon Fund	369	91	10	138	332
Water DCC	-	-	-	-	-
Sanitary DCC	-	-	-	-	-
Drainage DCC	-	-	-	-	-
Total	<u>\$ 79,047</u>	<u>\$ 16,241</u>	<u>\$ 12,256</u>	<u>\$ 15,626</u>	<u>\$ 91,918</u>

(c) Capital Fund

	2017	Recast 2016
Capital fund		
Invested in tangible capital assets	\$ 381,939	\$ 359,066
Appropriated Capital funds	10,585	8,586
	<u>\$ 392,524</u>	<u>\$ 367,652</u>

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
(tabular amounts in thousands of dollars)**

10. COMMITMENTS AND CONTINGENCIES

(a) Property Taxes

The City is obliged to levy, collect and remit property taxes on behalf of, and to finance the arrears of property taxes of, other bodies as follows:

Collections for and remittances to other bodies	2017	2016
Provincial Government - Schools	\$ 34,368	\$ 32,707
Greater Vancouver Regional District	1,152	1,094
Greater Vancouver Transportation Authority	7,572	7,344
British Columbia Assessment Authority	1,300	1,225
Municipal Finance Authority	5	4
BIA Lower Lonsdale Society	507	-
	<u>\$ 44,904</u>	<u>\$ 42,374</u>

(b) Pension Liability

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.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. 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 City paid \$3,895,000 (2016 - \$3,784,000) for employer contributions to the plan in fiscal 2017.

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

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
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(b) Pension Liability (con't)

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.

(c) Contingent Liabilities

The City is currently engaged in or party to certain legal actions, assessment appeals and other existing conditions involving uncertainty which may result in material loss. A reasonable estimate of these future liabilities has been made where possible and is recorded in the financial statements as a liability. Where the outcomes of amounts or losses are uncertain, no amounts have been recorded.

(d) E-Comm

The City is a member of Emergency Communications for British Columbia, Incorporated ("E-Comm"), an organization comprised predominately of member municipalities, for the purpose of providing emergency dispatch services. The City is represented on the board and as a class "A" shareholder has voting rights should the organization want to incur additional debt.

The E-Comm facility was constructed using debt as a financing mechanism and members are liable for a proportionate share of that debt. This debt is repaid by members through annual fees charged by E-Comm. Should E-Comm dissolve, the members would be liable for a proportionate share of any residual debt. Alternatively, should members choose to opt out of E-Comm they would be liable for a proportionate share of debt at the time of withdrawal.

The City holds 2 class "A" shares and one class "B" share.

(e) Contractual Obligations

During 2014 the City, in conjunction with the District of North Vancouver and the District of West Vancouver, entered into a new contract for recyclables collection for a period of five years commencing July 1, 2015. The City's portion of the annual contract costs is expected to be approximately \$1,100,000 for the years 2015 to 2020. The City is also eligible to receive an incentive from Multi-Materials BC (MMBC) of approximately \$62,000 per month (\$740,000 annually).

11. TRUST FUNDS

Certain assets have been conveyed or assigned to the City to be administered as directed by an agreement or statute. The City holds the assets for the benefit of, and stands in a fiduciary relationship to, the beneficiary. The Cemetery Trust Fund, totaling \$2,750,000 (2016 - \$2,584,000), which is administered by the City, has not been included with the City's accounts.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
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12. SEGMENTED INFORMATION

The City is a diversified municipal government entity in the Province of British Columbia that provides a wide range of services to its citizens. Certain functional areas have been combined and separately disclosed in the segmented information. The segments and the services they provide are as follows:

General Government

General Government provides the administrative and legislative services that support the various sectors of the City. Functions include financial planning and reporting, economic development and legislative services.

Transportation and Transit

The Transportation department aims to provide enhanced access to public transit, safe pedestrian and cyclist routes, enable accessible transportation for people with limited mobility and maintain existing infrastructure. These goals are achieved through street design, traffic signals and signs, street lighting and road maintenance activities.

Health, Social Services and Housing

Health, Social Services and Housing encompasses a wide variety of City funded initiatives aimed at supporting the social structure and sustainability of the community. Included are cemetery operations, youth and family support services, seniors programs and homeless prevention initiatives.

Development Services

Development Services' focus is community planning, which includes land use guidelines, the management of City owned lands, heritage planning and development of the City's official community plan.

Protective Services

Protective Services is comprised of the North Vancouver RCMP detachment, the North Vancouver City Fire Department and bylaw enforcement. The North Vancouver RCMP detachment plays an integral role in the protection of North Vancouver residents and their property through crime prevention and detection, emergency response and victim services. The North Vancouver City Fire Department is responsible to provide fire suppression service, fire prevention services and fire safety education.

Parks, Recreation and Culture

Parks, Recreation and Culture provides access to recreation facilities, the operation and maintenance of the City's many parks and trails, the North Vancouver City Library and the City's participation in the North Vancouver Museum and Archives and the North Vancouver Office of Cultural Affairs.

Water Utilities

The Water Utility, in conjunction with Metro Vancouver, provides safe, clean, reliable water to the residents and businesses of the City of North Vancouver.

Sewer Utilities

The Sewer Utility collects waste water and transports it to trunk water mains and wastewater treatment plants operated by Metro Vancouver. In addition to the collection of wastewater, the Sewer Utility also manages the City's 150km storm sewerage system which diverts rainfall runoff from private property with an emphasis on flood prevention.

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
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(tabular amounts in thousands of dollars)

12. SEGMENTED INFORMATION (con't)

Solid Waste

The Solid Waste department provides curbside garbage, recycling and yard trimmings collection to the residents of the City of North Vancouver.

	Revenues	Expenses					Total	Annual Surplus(Deficit)
		Wages & Benefits	Goods & Supplies	Services	Depreciation	Capitalized		
General government	\$ 99,468	\$ 11,619	\$ 3,771	\$ 7,050	\$ 4,243	\$ (9,862)	\$ 16,821	\$ 82,647
Transportation and transit	2,165	2,865	659	5,322	2,642	(4,327)	7,161	(4,996)
Health, social services and housing	423	432	81	2,237	-	(32)	2,718	(2,295)
Development services	6,846	4,326	24	866	-	-	5,216	1,630
Protective services	1,583	16,670	2,071	6,774	591	(1,489)	24,617	(23,034)
Parks, recreation and culture	9,150	13,206	1,235	18,139	4,915	(11,006)	26,489	(17,339)
Water utilities	11,666	1,995	7,399	2,090	817	(2,292)	10,009	1,657
Sewer utilities	10,799	1,527	304	7,605	710	(1,742)	8,404	2,395
Solid waste	4,414	1,408	71	2,417	49	-	3,945	469
2017	\$ 146,514	\$ 54,048	\$ 15,615	\$ 52,500	\$ 13,967	\$ (30,750)	\$ 105,380	\$ 41,134
2016	\$ 123,200	\$ 53,287	\$ 20,484	\$ 47,792	\$ 13,464	\$ (30,999)	\$ 104,028	\$ 19,172

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2017
(tabular amounts in thousands of dollars)

13. BUDGET FIGURES

The budget figures presented in these consolidated financial statements are based upon the financial plan approved by Council as the Financial Plan for the Years 2017 to 2026 Bylaw, 2017, No. 8547 April 10, 2017. The table below reconciles the approved budget to the budget figures reported.

		Financial Plan Bylaw
		<u> </u>
Revenue per Statement of Operations	\$	103,170
Less:		
Budget Adjustments for Consolidation	\$ (955)	
Budget Adjustments	(329)	
Transfers from Reserve	(1,429)	
Interagency Funds	<u>(4,519)</u>	(7,232)
Revenue per financial plan bylaw 8547		<u>95,938</u>
Expenses per Statement of Operations		103,870
Add:		
Transfer to other funds		(1,906)
Less:		
Budget Adjustments	(329)	
Budget Adjustments for Consolidation	2,063	
Interagency payments	<u>(4,519)</u>	(2,785)
Expenses per financial plan bylaw 8547		<u>99,179</u>
Deficit for the year		(3,241)
Reserves and capital:		
Capital expenditures		(74,911)
Depreciation		13,600
Equity		(7,544)
Transfers from reserves		53,076
External contributions		<u>19,020</u>
Annual budgeted Surplus per financial plan bylaw	\$	<u>-</u>

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
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14. PRIOR PERIOD RECAST

During 2017, the City revised its valuations for its sidewalks assets included in the infrastructure and land improvements categories of tangible capital assets. As a result the following amounts have been recast to reflect these immaterial adjustments:

	As at January 1, 2016	
	Accumulated Surplus	
As previously reported	\$	445,900
Adjustment to tangible capital asset cost at January 1, 2016		13,770
Adjustment to accumulated depreciation at January 1, 2016		(4,708)
As recast	\$	454,962

	As at December 31, 2016			
	Accumulated Surplus		Tangible Capital Assets	
As previously reported	\$	465,312	\$	350,244
Adjustment to tangible capital asset cost at January 1, 2016		13,770		13,770
Adjustment to accumulated depreciation at January 1, 2016		(4,708)		(4,708)
Adjustment to depreciation expense		(240)		(240)
As recast	\$	474,134	\$	359,066

	Year Ended December 31, 2016			
	Depreciation Expense		Annual Surplus	
As previously reported	\$	13,224	\$	19,412
Adjustment to depreciation expense		240		(240)
As recast	\$	13,464	\$	19,172