

**The Corporation of the City of  
North Vancouver  
Consolidated Financial Statements  
For the year ended December 31, 2016**

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## Statement of Management Responsibility

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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, 2016, 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

May 1, 2017



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## Independent Auditor's Report

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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, 2016, 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, 2016, 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.

*Other Matters*

The consolidated financial statements of the Corporation of the City of North Vancouver for the year ended December 31, 2015 were audited by other auditors who expressed an unqualified opinion on those financial statements on May 2, 2016.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia

May 1, 2017

**The Corporation of the City of North Vancouver  
Consolidated Statement of Financial Position  
As at December 31, 2016 with comparative figures for 2015  
(in thousands of dollars)**

	<u>2016</u>	<u>2015</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 6,716	\$ 5,849
Temporary investments (note 3(a))	43,548	42,630
Portfolio investments (note 3(b))	106,934	113,161
Investment in Lonsdale Energy Corp. (note 4)	734	715
Due from other governments	3,421	4,117
Accounts receivable	9,357	9,082
Loan to Lonsdale Energy Corp. (note 5)	15,045	13,651
Interest receivable	11,426	10,386
	<u>197,181</u>	<u>199,591</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 6)	23,447	14,406
Deferred revenue	23,740	26,186
Deferred development cost charges	18,357	23,741
Long-term debt (note 7)	1,293	1,480
Employee future benefits (note 8)	8,351	8,165
Advances and other liabilities	9,901	7,881
	<u>85,089</u>	<u>81,859</u>
<b>NET FINANCIAL ASSETS</b>	<u>112,092</u>	<u>117,732</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 9)	350,244	326,164
Inventories	642	507
Prepaid expenses	2,334	1,497
	<u>353,220</u>	<u>328,168</u>
<b>ACCUMULATED SURPLUS</b> (note 10)	<u>\$ 465,312</u>	<u>\$ 445,900</u>

Commitments and contingencies (note 11)  
See accompanying notes to the consolidated financial statements

  
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Director of Finance

**The Corporation of the City of North Vancouver**  
**Consolidated Statement of Operations**  
**Year ended December 31, 2016 with comparative figures for 2015**  
**(in thousands of dollars)**

	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>Budget</b>		
	(notes 2(h) and 14)		
<b>REVENUE</b>			
Property value tax	\$ 53,792	\$ 53,684	\$ 51,114
Parcel taxes	2,493	2,526	2,459
Licences and permits	3,550	4,209	4,863
Fines and fees	4,593	5,024	5,020
Rent	1,303	1,560	1,266
Interest and penalties	2,124	5,248	5,523
Sale of services	24,966	25,456	24,139
Rebate and recoveries	81	179	404
Grants and other	6,242	11,205	7,589
Developer contributions and other transfers	269	14,917	4,874
(Losses) gains on disposition of assets	-	(827)	63,089
Lonsdale Energy Corp. income (loss)	-	19	(987)
	<u>99,413</u>	<u>123,200</u>	<u>169,353</u>
<b>EXPENSES</b>			
General government	16,514	21,221	17,113
Transportation and transit	4,908	6,208	5,876
Health, social services and housing	2,415	2,399	2,336
Development services	4,497	4,520	4,626
Protective services	25,006	23,878	23,412
Parks, recreation and culture	25,037	24,407	24,626
Water utilities	9,239	9,208	8,206
Sewer utilities	7,753	8,418	7,791
Solid waste	4,397	3,529	4,127
	<u>99,766</u>	<u>103,788</u>	<u>98,113</u>
Total expenses (note 13)			
Annual surplus (deficit)	(353)	19,412	71,240
Accumulated surplus beginning of year	<u>445,900</u>	<u>445,900</u>	<u>374,660</u>
Accumulated surplus end of year	<u>\$ 445,547</u>	<u>\$ 465,312</u>	<u>\$ 445,900</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, 2016 with comparative figures for 2015**  
**(in thousands of dollars)**

	<b>2016 Budget</b>	<b>2016</b>	<b>2015</b>
	(notes 2(h) and 14)		
Annual surplus (deficit)	\$ (353)	\$ 19,412	\$ 71,240
Acquisition of tangible capital assets	(80,434)	(27,419)	(20,840)
Non-cash developer contributed assets	-	(10,968)	(347)
Proceeds on sale of tangible capital assets	-	256	84
Depreciation of tangible capital assets	12,500	13,224	12,084
Loss (gain) on disposition of tangible capital assets	-	827	(63,089)
	<u>(67,934)</u>	<u>(24,080)</u>	<u>(72,108)</u>
Acquisition of inventories	-	(1,126)	(848)
Acquisition of prepaid expenses	-	(2,310)	(1,350)
Use of inventories	-	991	910
Use of prepaid expenses	-	1,473	1,731
	<u>-</u>	<u>(972)</u>	<u>444</u>
Increase (decrease) in net financial assets	(68,287)	(5,640)	(425)
Net financial assets, beginning of year	<u>117,732</u>	<u>117,732</u>	<u>118,157</u>
Net financial assets, end of year	<u>\$ 49,445</u>	<u>\$ 112,092</u>	<u>\$ 117,732</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, 2016 with comparative figures for 2015  
(in thousands of dollars)**

	<u>2016</u>	<u>2015</u>
<b>Cash provided by (used for):</b>		
<b>Operating Transactions</b>		
Annual surplus	\$ 19,412	\$ 71,240
Items not involving cash:		
Depreciation expense	13,224	12,084
Loss (gain) on disposal of tangible capital assets	827	(63,089)
Non-cash developer contributed assets	(10,968)	(347)
Lonsdale Energy Corp. (income) loss	(19)	987
Changes in non-cash operating items:		
Decrease (increase) in due from other governments	696	(272)
(Increase) decrease in accounts receivable	(275)	1,142
Increase in promissory note receivable	(1,394)	(2,987)
Increase in interest receivable	(1,040)	(675)
Increase in accounts payable and accrued liabilities	9,041	1,399
(Decrease) increase in deferred revenue	(2,446)	1,899
Increase in deferred development cost charges	(5,384)	3,016
Increase in accrued employee future benefits	186	1,168
Decrease in advances and other liabilities	2,020	(216)
Increase in inventories	(135)	58
Increase in prepaid expenses	(837)	385
	<u>22,908</u>	<u>25,792</u>
<b>Capital Transactions</b>		
Cash used to acquire tangible capital assets	(27,419)	(20,840)
Proceeds from sale of tangible capital assets	256	84
	<u>(27,163)</u>	<u>(20,756)</u>
<b>Investing Transactions</b>		
Decrease (increase) in temporary investments	(918)	938
Decrease (increase) in portfolio investments	6,227	(6,012)
	<u>5,309</u>	<u>(5,074)</u>
<b>Financing Transactions</b>		
Repayment of long-term debt	(187)	(180)
	<u>867</u>	<u>(218)</u>
Increase in cash	867	(218)
Cash, beginning of year	<u>5,849</u>	<u>6,067</u>
Cash, end of year	<u>\$ 6,716</u>	<u>\$ 5,849</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, 2016  
(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% (2015 – 33%) by the City and 67% (2015 – 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% (2015 – 50%) by the City and 50% (2015 – 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, 2016  
(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. Estimates are made of potential adjustments to taxes. 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 May 2, 2016.

**The Corporation of the City of North Vancouver  
Notes to Consolidated Financial Statements  
Year ended December 31, 2016  
(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 actuarial 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, 2016  
(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 (note 13).

**The Corporation of the City of North Vancouver  
Notes to Consolidated Financial Statements  
Year ended December 31, 2016  
(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 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, 2016**  
**(tabular amounts in thousands of dollars)**

**3. INVESTMENTS**

**(a) Temporary Investments**

The fair value of temporary investments at December 31, 2016 was \$44,179,066 (2015 - \$43,559,045). These investments range in maturity date from January 6, 2017 to October 04, 2017, and range in yield from 1.5% to 5.75%.

**(b) Portfolio Investments**

The fair value of portfolio investments at December 31, 2016 was \$120,305,984 (2015 - \$126,705,811). These investments range in maturity from March 28, 2018 to September 28, 2026, 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:

	2016	2015
Cash and accounts receivable	\$ 1,001	\$ 911
Tangible capital assets	22,654	20,480
Other assets	461	411
Total assets	\$ 24,116	\$ 21,802
Accounts payable and accrued liabilities	\$ 1,284	\$ 884
Deferred contributions	5,497	4,836
Loans and notes payable	16,601	15,367
Total liabilities	\$ 23,382	\$ 21,087
Shareholder's equity	\$ 734	\$ 715
Total revenue	\$ 3,127	\$ 2,907
Total expenses	3,108	2,863
Net income	19	44
Extraordinary Revenue (Expenses)	-	(1,031)
Net income (loss)	\$ 19	\$ (987)

**The Corporation of the City of North Vancouver  
Notes to Consolidated Financial Statements  
Year ended December 31, 2016  
(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 \$734,000 (2015 - \$715,000) 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 \$332,000 (2015 - \$268,000).

In 2015, LEC recognized a one-time expense related to an agreement (the “Agreement”) between LEC and Corix Utilities Inc. (“Corix”) that expired on December 31, 2013. Under the terms of the Agreement, Corix provided, installed and maintained the boilers, central control system and energy meters that form part of LEC’s hydronic heat distribution system in the Lower Lonsdale Service Area. LEC recorded a non-recurring expense of \$1,031,000 made up of interest, loss on disposal of obsolete asset and legal charges related to the Agreement. No further costs related to the Agreement were incurred in 2016 and none are expected to be incurred by LEC subsequent to December 31, 2016.

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

The loan receivable balance of \$15,045,195 (2015 - \$13,651,000) 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 balance owing at December 31, 2016 is \$11,983,000 (2015 - \$11,039,000).

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. On November 18, 2016 LEC issued a promissory note to the City in the amount of \$1,600,000, of which only \$450,000 had been drawn by LEC at year end. The balance owing at December 31, 2016 is \$3,062,000 (2015 - \$2,612,000).

All loans are due on demand and bear interest at 2.1%. Interest revenue of \$296,900 (2015 - \$247,300) 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. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

In connection with the redevelopment of the Shipyards – Lot 5, the City has accrued \$3,471,798 in estimated site remediation costs based on contracts and purchase orders in place at year end. The remediation work is expected to be completed in 2017.

**7. 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 debt for others. The total debt issued and outstanding as at December 31, 2016 was \$1,292,616 (2015 - \$1,479,998).

**The Corporation of the City of North Vancouver**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2016**  
**(tabular amounts in thousands of dollars)**

**7. LONG-TERM DEBT (con't)**

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

2017	\$	194,877
2018		202,672
2019		210,779
2020		219,210
2021		227,979
Thereafter		237,099
	\$	<u>1,292,616</u>

Interest expense of \$6,000 (2015 - \$6,000) has been included in the Consolidated Statement of Operations. The interest rate on long-term debt is 0.3% per annum.

**8. 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, 2016.

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>2016</u>	<u>2015</u>
Benefit obligation - beginning of the year	\$ 7,867	\$ 7,011
Add: Current service costs	607	517
Interest on accrued benefit obligation	246	215
Transfer of liabilities	0	77
Less: Actuarial (gain) loss	(665)	519
Benefits paid	<u>(675)</u>	<u>(472)</u>
Benefit obligation - end of the year	\$ 7,380	\$ 7,867
Add: Unamortized actuarial gain	<u>971</u>	<u>298</u>
Accrued benefit liability - end of the year	<u>\$ 8,351</u>	<u>\$ 8,165</u>

**The Corporation of the City of North Vancouver**  
**Notes to Consolidated Financial Statements**  
**Year ended December 31, 2016**  
**(tabular amounts in thousands of dollars)**

**8. EMPLOYEE FUTURE BENEFITS (con't)**

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

	2016	2015
Discount rates	3.30%	3.10%
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 9.9% of the individual's total indemnity received subsequent to 2002. These amounts are accrued as earned.

**9. TANGIBLE CAPITAL ASSETS**

2016	Land	Land Improvements	Parks	Buildings	Machinery & Equipment	Vehicles	Infrastructure	Library Materials	Work in Progress	Total
<b>Costs</b>										
Balance beginning of year	\$ 27,530	\$ 49,909	\$ 38,254	\$ 110,982	\$ 16,758	\$ 9,024	\$ 196,773	\$ 949	\$ 23,805	\$ 473,984
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>\$ 50,294</u>	<u>\$ 38,822</u>	<u>\$ 116,849</u>	<u>\$ 17,476</u>	<u>\$ 9,241</u>	<u>\$ 209,952</u>	<u>\$ 943</u>	<u>\$ 34,443</u>	<u>\$ 508,271</u>
<b>Accumulated Depreciation</b>										
Balance beginning of year	\$ -	\$ 7,563	\$ 10,158	\$ 43,431	\$ 10,456	\$ 5,126	\$ 70,603	\$ 483	\$ -	\$ 147,820
Depreciation		1,376	1,359	4,288	1,558	523	3,899	221		13,224
Disposals		-	79	-	573	173	1,959	233		3,017
Balance end of year	<u>\$ -</u>	<u>\$ 8,939</u>	<u>\$ 11,438</u>	<u>\$ 47,719</u>	<u>\$ 11,441</u>	<u>\$ 5,476</u>	<u>\$ 72,543</u>	<u>\$ 471</u>	<u>\$ -</u>	<u>\$ 158,027</u>
<b>Net Book Value</b>	<u>\$ 30,251</u>	<u>\$ 41,355</u>	<u>\$ 27,384</u>	<u>\$ 69,130</u>	<u>\$ 6,035</u>	<u>\$ 3,765</u>	<u>\$ 137,409</u>	<u>\$ 472</u>	<u>\$ 34,443</u>	<u>\$ 350,244</u>
2015	Land	Land Improvements	Parks	Buildings	Machinery & Equipment	Vehicles	Infrastructure	Library Materials	Work in Progress	Total
<b>Costs</b>										
Balance beginning of year	\$ 22,608	\$ 15,516	\$ 34,151	\$ 110,552	\$ 16,548	\$ 8,981	\$ 173,350	\$ 973	\$ 11,488	\$ 394,167
Additions	4,950	34,393	4,366	525	840	653	26,709	209	23,805	96,450
Disposals	28	-	263	95	630	610	3,286	233	11,488	16,633
Balance end of year	<u>\$ 27,530</u>	<u>\$ 49,909</u>	<u>\$ 38,254</u>	<u>\$ 110,982</u>	<u>\$ 16,758</u>	<u>\$ 9,024</u>	<u>\$ 196,773</u>	<u>\$ 949</u>	<u>\$ 23,805</u>	<u>\$ 473,984</u>
<b>Accumulated Depreciation</b>										
Balance beginning of year	\$ -	\$ 6,446	\$ 9,107	\$ 39,173	\$ 9,486	\$ 5,117	\$ 70,290	\$ 492	\$ -	\$ 140,111
Depreciation		1,117	1,214	4,282	1,600	529	3,118	224		12,084
Disposals		-	163	24	630	520	2,805	233		4,375
Balance end of year	<u>\$ -</u>	<u>\$ 7,563</u>	<u>\$ 10,158</u>	<u>\$ 43,431</u>	<u>\$ 10,456</u>	<u>\$ 5,126</u>	<u>\$ 70,603</u>	<u>\$ 483</u>	<u>\$ -</u>	<u>\$ 147,820</u>
<b>Net Book Value</b>	<u>\$ 27,530</u>	<u>\$ 42,346</u>	<u>\$ 28,096</u>	<u>\$ 67,551</u>	<u>\$ 6,302</u>	<u>\$ 3,898</u>	<u>\$ 126,170</u>	<u>\$ 466</u>	<u>\$ 23,805</u>	<u>\$ 326,164</u>

**(a) Work in Progress**

Work in progress having a value of \$34,443,000 (2015 - \$23,805,000) has not been amortized. Amortization of these assets will commence when the asset is in service.

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**9. TANGIBLE CAPITAL ASSETS (con't)**

**(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 \$10,968,000 (2015 - \$1,816,800) 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.

**10. ACCUMULATED SURPLUS**

	2016 Actual	2015 Actual
Current Funds - general, water and sewer	\$ 27,435	\$ 24,917
Reserve fund	79,047	86,067
Capital fund	358,830	334,916
Accumulated surplus, end of year	<u>\$ 465,312</u>	<u>\$ 445,900</u>

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**10. ACCUMULATED SURPLUS (con't)**

**(a) Current Funds - general, water and sewer**

	<u>2016</u>	<u>2015</u>
Appropriated:		
General funds	\$ 12,075	\$ 9,710
Water fund	61	103
Sewer fund	8,287	8,598
Unappropriated:		
General funds	6,198	5,692
Sewer fund	814	814
	<u>\$ 27,435</u>	<u>\$ 24,917</u>

**(b) Reserve Funds**

	Balance December 31, 2015	Contributions & Transfers	Earnings	Less Expenditures	Balance December 31, 2016
Machinery and Equipment					
Engineering	\$ 3,395	\$ 506	\$ 148	\$ 775	\$ 3,274
Fire	257	890	158	94	1,211
General	332	-	20	164	188
Computer	1,561	640	49	364	1,886
Building	2,256	-	60	825	1,491
Local Improvements	747	14	21	23	759
Affordable Housing	2,837	94	93	117	2,907
Tax Sale Lands	30,803	2,092	1,116	3,561	30,450
Waterworks	6,377	-	207	100	6,484
Parking	468	-	21	246	243
Civic Amenity	27,911	2,027	1,118	7,182	23,874
Justice Administration Accomodation	311	-	7	163	155
Streets DCC	303	(303)	-	-	-
Parks DCC	61	7,311	-	7,368	4
Lower Lonsdale Amenity	4,121	-	100	2,398	1,823
Lower Lonsdale Legacy	2,593	-	83	92	2,584
Infrastructure	341	450	208	663	336
Public Art	325	85	11	79	342
Marine Drive Community Amenity	316	-	10	-	326
Sustainable Transportation	358	88	11	116	341
Carbon Fund	394	82	12	119	369
Total	<u>\$ 86,067</u>	<u>\$ 13,976</u>	<u>\$ 3,453</u>	<u>\$ 24,449</u>	<u>\$ 79,047</u>

**(c) Capital Fund**

	<u>2016</u>	<u>2015</u>
Invested in tangible capital assets	\$ 350,244	\$ 326,164
Appropriated Capital funds	8,586	8,752
	<u>\$ 358,830</u>	<u>\$ 334,916</u>

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**11. 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 governments	2016	2015
Provincial Government - Schools	\$ 32,707	\$ 32,374
Greater Vancouver Regional District	1,094	1,068
Greater Vancouver Transportation Authority	7,344	7,389
British Columbia Assessment Authority	1,225	1,197
Municipal Finance Authority	4	4
	<u>\$ 42,374</u>	<u>\$ 42,032</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, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local governments.

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

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.

The City paid \$3,784,000 (2015 - \$3,490,000) for employer contributions to the plan in fiscal 2016.

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

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

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**(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 \$55,000 per month (\$660,000 annually).

**12. 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 \$2,584,000 (2015 - \$2,435,000), which is administered by the City, has not been included with the City's accounts.

**13. 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.

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**13. SEGMENTED INFORMATION (con't)**

**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.

**Solid Waste**

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

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**13. SEGMENTED INFORMATION (con't)**

	Revenues	Expenses					Total	Annual Surplus(Deficit)
		Wages & Benefits	Goods & Supplies	Services	Depreciation	Capitalized		
General government	\$ 77,121	\$ 11,917	\$ 10,852	\$ 6,979	\$ 3,312	\$ (11,839)	\$ 21,221	\$ 55,900
Transportation and transit	4,119	2,732	573	4,833	2,455	(4,385)	6,208	(2,089)
Health, social services and housing	380	420	71	1,910	-	(2)	2,399	(2,019)
Development services	5,333	3,817	36	667	-	-	4,520	813
Protective services	1,811	16,473	713	5,678	1,167	(153)	23,878	(22,067)
Parks, recreation and culture	9,749	12,880	954	15,759	4,640	(9,826)	24,407	(14,658)
Water utilities	10,332	2,083	6,827	1,763	878	(2,343)	9,208	1,124
Sewer utilities	9,711	1,554	419	8,195	701	(2,451)	8,418	1,293
Solid waste	4,644	1,411	39	2,008	71	-	3,529	1,115
2016	<u>\$ 123,200</u>	<u>\$ 53,287</u>	<u>\$ 20,484</u>	<u>\$ 47,792</u>	<u>\$ 13,224</u>	<u>\$ (30,999)</u>	<u>\$ 103,788</u>	<u>\$ 19,412</u>
2015	<u>\$ 169,353</u>	<u>\$ 52,356</u>	<u>\$ 12,777</u>	<u>\$ 40,179</u>	<u>\$ 12,084</u>	<u>\$ (19,283)</u>	<u>\$ 98,113</u>	<u>\$ 71,240</u>

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**14. 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 2016 to 2025 Bylaw, 2016, No. 8478 May 2, 2016. The table below reconciles the approved budget to the budget figures reported.

		<u>Financial Plan Bylaw</u>
Revenue per Statement of Operations		\$ 99,413
Less:		
Budget Adjustments for Consolidation	\$ (1,516)	
Transfers from Reserve	(529)	
Interagency Funds	<u>(4,422)</u>	(6,467)
Revenue per financial plan bylaw 8478		<u>92,946</u>
Expenses per Statement of Operations		99,766
Add:		
Capital Expenditures	(2,824)	
Reserves for Non-Capital Projects	2,204	
Transfer to other funds		(620)
Less:		
Budget Adjustments for Consolidation	774	
Interagency payments	<u>(4,422)</u>	(3,648)
Expenses per financial plan bylaw 8478		<u>95,498</u>
Deficit for the year		(2,552)
Reserves and capital:		
Capital expenditures		(80,434)
Depreciation		12,500
Equity		(6,903)
Transfers from reserves		58,557
External contributions		<u>18,832</u>
Annual budgeted Surplus per financial plan bylaw		<u>\$ -</u>