



**2016
STATEMENT OF
FINANCIAL
INFORMATION**

(Pursuant to the Financial Information Act)

THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT
2016 Statement of Financial Information

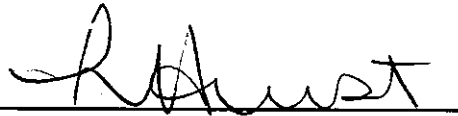
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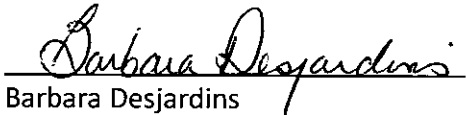
Statement of Financial Information Approval

The undersigned, as authorized by the *Financial Information Regulation, Schedule 1, Subsection 9(2)*, approves all the statements and schedules included in this *Statement of Financial Information*, produced as required by the *Financial Information Act*.



Laurie Hurst, CPA, CGA
Chief Administrative Officer

May 18, 2017



Barbara Desjardins
Mayor

May 23, 2017

THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT
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Schedule of Debts

The Schedule of Debts has not been prepared as the requisite information appears in Note 4 to the attached financial statements.

THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT
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Schedule of Guarantee and Indemnity Agreements (unaudited)

There are no Financial Guarantee and Indemnity Agreements in place which required government approval prior to being given under the Financial Administration Act.

THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT
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Schedule of Grants and Contributions (unaudited)

Organization	Amount (\$)
Aboriginal Tourism Association of BC	500
Big Brothers Big Sisters of Victoria	1,000
Bipolar Disorder Society of BC	1,000
City of Victoria - Canada Day Celebrations	1,000
Creatively United For The Planet	1,500
Disabled Sailing Association	1,000
Esquimalt Farmers Market	990
Esquimalt High School	2,300
Esquimalt High School - Athletic Team Funding	2,750
Esquimalt High School - Terry Fox Scholarship	500
Esquimalt High School - Township of Esquimalt Scholarship	250
Esquimalt Lantern Festival Society	4,000
Greater Victoria Bike to Work Society	1,000
L'Ecole Victor Brodeur	750
Macaulay Elementary School Parents' Advisory Council - Crossing Guard	10,000
Michael Dunahee Keep the Hope Alive Drive	1,000
Need2 Suicide Prevention Education & Support	1,000
Rockheights Middle School	3,000
Shoreline Middle School	1,500
St. John Ambulance Association	1,000
Township Community Arts Council	25,000
Vancouver Island South Film & Media Commission	500
Victoria Nikkei Cultural Society	500
Victoria Rainbow Kitchen Society	7,500
Victoria Restorative Justice Society	4,000
World Fisheries Trust	1,000
Total (23)	<u>74,540</u>

THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT

2016 Statement of Financial Information

Schedule of Employee Remuneration and Expenses (unaudited)

Name		Department	Remuneration (\$)	Expenses (\$)
Brown	William	Development Services	132,588.76	2,550.27
Brunton	Andrew	Emergency Services - Fire	79,407.23	1,384.97
Buie	Chris	Emergency Services - Fire	135,434.44	1,303.17
Byron	Jeffrey	Parks & Recreation Services	112,928.07	-
Carragher	Christopher	Emergency Services - Fire	102,399.91	1,081.89
Chung	David	Emergency Services - Fire	119,913.55	5,242.73
Daykin	Richard	Parks & Recreation Services	107,764.59	-
Fraser	Ian	Emergency Services - Fire	80,369.37	-
Gow	Tyler	Emergency Services - Fire	75,991.71	1,397.10
Greensill	Vince	Emergency Services - Fire	119,549.47	20.92
Halliday	Alexander	Emergency Services - Fire	122,519.38	500.78
Hartman	Scott	Parks & Recreation Services	132,949.34	-
Harvey	Tyler	Emergency Services - Fire	96,951.47	5,329.04
Hobday	Lawrence	Engineering & Public Works	79,326.71	100.00
Holmes	Kahlil	Emergency Services - Fire	80,538.79	1,542.88
Hurst	Laurie	Chief Administrative Officer	190,284.63	3,556.68
Hutchinson	Jason	Emergency Services - Fire	113,977.32	499.41
Irvine	Ian	Financial Services	132,588.76	2,568.88
Jancowski	Christopher	Emergency Services - Fire	135,664.59	8,375.59
Jansen	Sara	Community Safety Services	77,556.59	2,311.26
Killion	David	Community Safety Services	82,781.79	3,474.44
Landry	Matthew	Emergency Services - Fire	82,214.48	1,129.07
Luch	Andrew	Emergency Services - Fire	78,175.81	1,396.22
McDonald	Blair	Community Safety Services	131,998.65	1,745.51
McLean	Darrell	Community Safety Services	80,982.60	150.00
McMillan	Scott	Emergency Services - Fire	75,649.16	5,767.38
Milkert	Andreas	Engineering & Public Works	79,764.57	104.61
Miller	Jeffrey	Engineering & Public Works	133,328.89	6,180.98
Morrison	Ritchie	Corporate Services	81,805.82	150.00
Mulcahy	Patrick	Human Resources	76,814.83	78.04
Nurvo	Anja	Corporate Services	132,012.68	4,206.47
Owens	Sean	Emergency Services - Fire	114,729.10	2,722.78
Parkes	Trevor	Development Services	87,505.87	192.00
Payne	Corey	Emergency Services - Fire	114,697.67	1,706.17
Ralph	Mark	Emergency Services - Fire	127,900.47	24.71
Robinson	Spencer	Emergency Services - Fire	130,477.32	816.90
Rosales	Angelo	Emergency Services - Fire	127,078.16	770.89
Saladana	Troy	Emergency Services - Fire	123,967.20	-
Saurette	Raymond	Emergency Services - Fire	121,902.59	5,541.49
Serbic	Steven	Emergency Services - Fire	123,706.24	7,445.16

THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT
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Schedule of Employee Remuneration and Expenses (unaudited)

Name		Department	Remuneration (\$)	Expenses (\$)
Shields	Kevin	Emergency Services - Fire	119,180.43	832.41
Turner	Mary	Financial Services	108,168.27	-
Walton	Trevor	Emergency Services - Fire	105,555.02	1,176.22
Wieler	Wilhelm	Engineering & Public Works	108,603.22	752.58
Williams	Morgan	Emergency Services - Fire	112,070.19	5,255.07
Woodland	Jon	Information Technology	107,230.59	901.87
Zado	Andrew	Emergency Services - Fire	116,006.71	1,344.64
Aggregate over \$75,000 (47)			5,113,013.01	91,631.18
Aggregate under \$75,000 (306)			6,936,760.44	30,727.41
Total (353)			<u>12,049,773.45</u>	<u>122,358.59</u>

The Schedule of Employee Remuneration has been prepared on a cash basis. The financial statements have been prepared on an accrual basis, and no reconciliation of this schedule with the financial statements has been prepared.

THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT
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Schedule of Council Remuneration and Expenses (unaudited)

Name		Remuneration (\$)	Expenses (\$)
Brame	Meagan	20,779.60	1,408.18
Burton-Krahn	Beth	20,779.60	4,192.07
Desjardins	Barbara	48,225.20	1,954.41
Hundleby	Lynda	20,779.60	8,989.70
Liberchuk	Olga	20,779.60	2,716.59
Low	Susan	20,779.60	2,781.13
Morrison	Timothy	20,779.60	5,603.09
		<u>172,902.80</u>	<u>27,645.17</u>

The Schedule of Council Remuneration has been prepared on a cash basis. The financial statements have been prepared on an accrual basis, and no reconciliation of this schedule with the financial statements has been prepared.

THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT
2016 Statement of Financial Information

Statement of Severance Agreements (unaudited)

There was one severance agreement under which payment commenced between the Corporation of the Township of Esquimalt and its non-unionized employees during the fiscal year 2016.

The agreement represented four and one-half months in compensation.

THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT
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Schedule of Payments to Suppliers for the Provision of Goods and Services (unaudited)

Supplier Name	Amount (\$)
Accent Refrigeration Systems Ltd.	29,632.83
Acklands-Grainger Inc.	38,172.03
Acme Supplies Ltd.	89,500.74
Al Sutherland Consulting Ltd.	73,511.87
Andrew Sheret Ltd.	31,403.03
Aon Reed Stenhouse Inc.	155,865.00
BC Hydro	539,914.40
Capital Regional District	172,177.25
Carvello Law Corporation	188,445.77
Carmichael Engineering Ltd.	94,749.61
CDW Canada Inc.	64,673.66
Chevron Canada Ltd.	118,125.07
Coriolis Consulting Corp.	57,297.24
Crest	48,530.30
Diamond Municipal Solutions Inc.	25,674.60
Eecol Electric Corp.	87,294.56
Ellice Recycle Ltd.	170,595.10
Emery Electric Ltd.	70,311.30
Fortis BC	141,949.25
Frey & Company Litigation Counsel	78,317.77
G & E Contracting LP	583,844.53
Greater Victoria Labour Relations Association	26,936.64
Greater Victoria Public Library	873,093.00
GVLRA – LTD Trust	130,901.97
Habitat Systems Inc.	87,613.87
Hazpro Environmental Ltd.	28,476.00
H.L. Demolition & Waste Management Ltd.	47,779.41
Island Asphalt Company	61,297.55
Island Temperature Controls Ltd.	39,892.89
Jacob Bros. Construction Inc.	492,825.34
Jenner Chevrolet Buick GMC Ltd.	51,736.16
Justice Institute of BC	25,257.70
K. Vallie Kingdom Enterprise	107,961.01
Lehigh Materials, A Division of Lehigh Hanson Materials Ltd.	49,257.00
McRae's Environmental Services Ltd.	61,600.87
M. Griffin Ltd.	35,847.54
Monk Office Supply Ltd.	32,614.75
Medical Services Plan of BC	172,005.00
Nova Pole International Inc.	25,397.12
Osborne Electro-Mechanics Ltd.	37,122.32

THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT
2016 Statement of Financial Information

Schedule of Payments to Suppliers for the Provision of Goods and Services (unaudited)

Supplier Name	Amount (\$)
Pacific Audio Works	28,710.88
Pacific Blue Cross	464,651.72
Pacific Coast Commercial Cleaning Inc.	87,456.72
Pension Corporation – Municipal Pension Plan	2,004,880.59
PerfectMind Inc.	35,495.00
Pipes Technology Group	58,189.19
Praxis Architects Inc.	43,567.95
P.R. Bridge Systems Ltd.	48,518.81
Public Sector Digest	83,422.02
Receiver General for Canada	3,253,148.21
Rocky Mountain Phoenix	52,991.43
Saywell Contracting Ltd.	246,675.72
The Sherwin Williams Co.	26,494.78
SLR Consulting (Canada) Ltd.	326,136.65
Story Construction Ltd.	746,492.94
Sukh & Sons Trucking Ltd.	36,993.53
Telus Mobility	58,314.65
Tempest Development Group	53,682.67
The Corporation of the District of Saanich	125,670.05
The Corporation of the City of Victoria	7,735,808.00
Trio Ready-Mix Victoria Ltd.	39,509.81
Upanup Studios Inc.	31,183.38
Van Isle Water Services Ltd.	74,755.44
Victoria Animal Control Services Ltd.	80,786.30
Western Traffic Ltd.	37,419.04
Worksafe BC	244,968.88
WSP Canada Inc.	35,756.56
Aggregate over \$25,000 (67)	21,309,282.97
Aggregate under \$25,000 (632)	2,078,394.34
Total (699)	23,387,677.31

The Schedule of Payments to Suppliers for the Provision of Goods and Services has been prepared on a cash basis, and due to the limitations imposed by the Township's accounts payable system includes certain disbursements that are not purchases of goods and services. The financial statements have been prepared on an accrual basis, and no reconciliation of this schedule with the financial statements has been prepared.

THE CORPORATION OF THE TOWNSHIP OF ESQUIMALT
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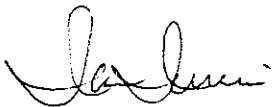
Management Letter

The accompanying financial statements and schedules of the Corporation of the Township of Esquimalt (the "Township") are the responsibility of management. To ensure their integrity, objectivity, and reliability, management has selected appropriate accounting policies in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The financial statements necessarily include some amounts that are based on estimates and the judgement of management with appropriate consideration of materiality.

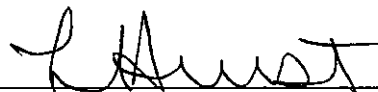
The Township's accounting systems and related internal controls and supporting processes and procedures are designed and maintained to provide reasonable assurance that financial information is complete and accurate, and assets are safeguarded from loss. The procedures include the establishment of an organizational structure that provides a well defined division of responsibilities, accountability for performance, communication of standards of business conduct, and the selection, retention, and training of qualified staff.

The Township's Council oversees management's internal control and financial reporting responsibilities. Council reviews and approves the Township's financial statements, and meets with management and its independent auditors to satisfy themselves that management's responsibilities are properly discharged.

KPMG LLP, Chartered Accountants, the independent auditors appointed by Council examined the financial statements and issued their Audit Report. The auditors have full and unrestricted access to Council to discuss their audit and their related findings.



Ian Irvine
Director of Financial Services



Laurie Hurst, CPA, CGA
Chief Administrative Officer

Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF ESQUIMALT**

Year ended December 31, 2016

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Financial Statements

Year ended December 31, 2016

Financial Statements

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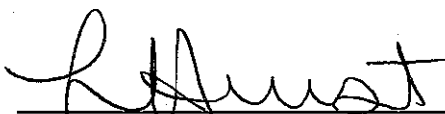
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Corporation of the Township of Esquimalt (the "Township") are the responsibility of management and have been prepared in compliance with applicable legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.


The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to Council's approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Township. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Township's financial statements.



Chief Administrative Officer



Director of Financial Services



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councilors of the Corporation of the Township of Esquimalt

We have audited the accompanying financial statements of the Corporation of the Township of Esquimalt which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 Township of Esquimalt as at December 31, 2016, and its results of operations, its change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

May 15, 2017
Victoria, Canada

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Financial Position

December 31, 2016 with comparative information for 2015

	2016	2015
Financial assets:		
Cash and cash equivalents (note 2)	\$ 25,748,089	\$ 22,639,027
Property taxes receivable	501,025	1,251,441
Accounts receivable	827,408	1,295,385
MFA debt reserve cash (note 12(b))	223,469	217,393
	<u>27,299,991</u>	<u>25,403,246</u>
Liabilities:		
Accounts payable and accrued liabilities	7,983,247	8,171,489
Deferred revenue and deposits (note 3)	2,080,339	2,343,561
Debt (note 4)	8,900,890	9,069,991
Obligations under capital leases (note 5)	50,097	68,350
Employee benefit and retirement obligations (note 6)	991,633	1,034,639
	<u>20,006,206</u>	<u>20,688,030</u>
Net financial assets	7,293,785	4,715,216
Non-financial assets:		
Tangible capital assets (note 7)	82,037,082	82,366,241
Inventory of supplies	131,146	110,681
Prepaid expenses	99,510	204,557
	<u>82,267,738</u>	<u>82,681,479</u>
Commitments and contingencies (note 12)		
Accumulated surplus (note 8)	\$ 89,561,523	\$ 87,396,695

The accompanying notes are an integral part of these financial statements.



Director of Financial Services

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Operations and Accumulated Surplus

Year ended December 31, 2016 with comparative information for 2015

	Financial plan (note 13)	2016	2015
Revenues:			
Taxes for municipal purposes (note 9)	\$ 15,393,952	\$ 15,386,828	\$ 14,886,294
Payments in place of taxes (note 10)	12,211,666	12,612,222	11,776,021
Sale of services	3,237,022	3,259,558	3,199,598
Other revenue from own sources	731,810	1,388,976	1,502,314
Conditional transfers from other governments (note 11)	500,850	1,255,129	3,767,767
Unconditional transfers from other governments (note 11)	583,722	595,310	641,380
Total revenue	32,659,022	34,498,023	35,773,374
Expenses:			
General government	4,349,611	3,725,462	3,829,666
Protective services	12,053,934	12,331,201	11,591,642
Transportation	3,147,267	4,336,627	4,140,798
Environmental health	1,110,875	1,521,243	1,677,345
Environmental development	1,161,789	883,147	761,131
Recreation, parks and culture	8,750,308	9,535,515	9,361,456
Total expenses	30,573,784	32,333,195	31,362,038
Annual surplus	2,085,238	2,164,828	4,411,336
Accumulated surplus, beginning of year	87,396,695	87,396,695	82,985,359
Accumulated surplus, end of year	\$ 89,481,933	\$ 89,561,523	\$ 87,396,695

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Change in Net Financial Assets

Year ended December 31, 2016 with comparative information for 2015

	Financial plan (note 13)	2016	2015
Annual surplus	\$ 2,085,238	\$ 2,164,828	\$ 4,411,336
Contributed tangible capital assets	-	-	(224,694)
Acquisition of tangible capital assets	(4,797,052)	(3,109,764)	(7,302,208)
Acquisition of capital lease	-	-	(74,706)
Adjustment of tangible capital assets	-	-	(252,715)
Amortization of tangible capital assets	-	3,382,589	3,436,707
Proceeds on sale of tangible capital assets	-	535	5,350
Loss on disposal of tangible capital assets	-	55,799	337,338
	(4,797,052)	329,159	(4,074,928)
Acquisition of inventory supplies	-	(131,146)	(110,681)
Consumption of inventory supplies	-	110,681	123,071
Acquisition of prepaid expenses	-	(99,510)	(204,557)
Consumption of prepaid expenses	-	204,557	51,147
		84,582	(141,020)
Change in net financial assets (debt)	(2,711,814)	2,578,569	195,388
Net financial assets, beginning of year	4,715,216	4,715,216	4,519,828
Net financial assets, end of year	\$ 2,003,402	\$ 7,293,785	\$ 4,715,216

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Cash Flows

Year ended December 31, 2016 with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ 2,164,828	\$ 4,411,336
Items not involving cash:		
Contributed tangible capital assets	-	(224,694)
Adjustment of tangible capital assets	-	(252,715)
Amortization of tangible capital assets	3,382,589	3,436,707
Change in employee benefits and other liabilities	(43,006)	7,686
Actuarial adjustment on debt	(284,621)	(252,157)
Loss on disposal of tangible capital assets	55,799	337,338
Change in non-cash operating assets and liabilities:		
Property taxes receivable	750,416	(563,490)
Accounts receivable	467,977	394,312
MFA debt reserve fund cash	(6,076)	(5,428)
Accounts payable and accrued liabilities	(188,242)	(836,182)
Deferred revenue and deposits	(263,222)	414,462
Inventory of supplies	(20,465)	12,390
Prepaid expenses and deposits	105,047	(153,410)
	<u>6,121,024</u>	<u>6,726,155</u>
Capital activities:		
Acquisition of tangible capital assets	(3,109,764)	(7,302,208)
Proceeds on disposal of tangible capital assets	535	5,350
	<u>(3,109,229)</u>	<u>(7,296,858)</u>
Financing activities:		
Capital lease obligation repaid	(18,253)	(17,281)
Debt issued	750,000	550,000
Debt principal repaid	(634,480)	(648,082)
	<u>97,267</u>	<u>(115,363)</u>
Increase (decrease) in cash and cash equivalents	3,109,062	(686,066)
Cash and cash equivalents, beginning of year	22,639,027	23,325,093
Cash and cash equivalents, end of year	<u>\$ 25,748,089</u>	<u>\$ 22,639,027</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 421,842	\$ 456,904
Cash received from interest	532,452	454,586
Assets acquired under capital lease	-	74,706

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

The Corporation of the Township of Esquimalt (the "Township") was incorporated on September 1, 1912 under the Municipal Act, a statute of the Province of British Columbia. Its principal activities are the provisions of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water, sewer and fiscal services.

1. Significant accounting policies:

The financial statements of the Township are prepared by management in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board ("PSAB") of The Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Township are as follows:

(a) Reporting entity:

The financial statements include a combination of all the assets, liabilities, accumulated surplus, revenues and expenses of all of the Township's activities and funds. Inter-departmental balances and organizational transactions have been eliminated. The Township does not control any significant external entities and accordingly, no entities have been consolidated in these financial statements.

(b) Basis of accounting:

The Township follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Government transfers with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the recipient government.

Government transfers without stipulations restricting their use are recognized in the financial statements as revenue in the period in which the transfers are authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services performed, or the tangible capital assets are acquired thereby extinguishing the related liability.

(e) Property tax revenue:

Property tax revenue is recognized on the accrual basis using the approved mill rates and the anticipated assessment related to the current year.

(f) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(g) Cash and cash equivalents:

Cash and cash equivalents include investments in the Municipal Finance Authority of British Columbia (the "MFA") Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

(h) Long-term debt:

Long-term debt is reported net of related payments and actuarial earnings.

(i) Employee future benefits:

The Township and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Sick leave benefits and other retirement benefits are also available to the Township's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. The actuarial losses or gains are amortized over a period equal to the employee's average remaining service lifetime.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(j) Non-financial assets:

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

(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, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life in years
Land improvements	15 - 50
Building and building improvements	10 - 40
Vehicles, machinery and equipment	3 - 30
Water and wastewater infrastructure	25 - 60
Roads infrastructure	20 - 80

Amortization is charged annually, including in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to the Township's ability to provide goods and services, or when the value of future economic benefits associated with the asset are less than the book value of the asset.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions including tangible capital assets received in lieu of a developer cost charge, are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Works of art and cultural and historic assets

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

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(iv) Interest capitalization

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

(v) Leased tangible capital assets

Leases which 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 related payments are charged to expenses as incurred.

(vi) Inventories of supplies

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

(k) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets and estimating provisions for accrued liabilities including employee future benefits. Actual results could differ from those estimates.

(l) Liability for contaminated sites:

The Township records a liability in its financial statements when contamination on non-active property exceeds an accepted environmental standard and the Township is directly responsible, or accepts responsibility, for the damage. The liability is measured at the Township's best estimate of the costs directly attributable to remediation of the contamination.

No contaminated sites liabilities have been recorded in these financial statements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(m) Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

2. Cash and cash equivalents:

	2016	2015
Cash and bank deposits	\$ 983,021	\$ 2,850,776
Municipal Finance Authority Money Market Funds	24,765,068	19,788,251
	\$ 25,748,089	\$ 22,639,027

3. Deferred revenue and deposits:

Deferred revenue, reported on the statement of financial position, includes the following:

	2016	2015
Trust and deposit liabilities	\$ 764,746	\$ 382,575
Unearned recreation fees	200,013	340,757
Property tax instalments	861,360	1,382,155
Miscellaneous	254,220	238,074
	\$ 2,080,339	\$ 2,343,561

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

4. Debt:

Bylaw	Purpose	Matures	Rate	Original Amount	Sinking Fund*	Net Balance	
						2016	2015
<u>General Capital</u>							
2492	Recreation Centre	2023/03/10	4.775%	\$ 2,800,000	\$ 1,518,209	\$ 1,281,791	\$ 1,435,762
2492	Recreation Centre	2022/03/12	5.370%	4,000,000	2,379,947	1,620,053	1,849,058
2834	Roads and Streets	2024/10/14	3.000%	1,200,000	205,639	994,361	1,099,199
				8,000,000	4,103,795	3,896,205	4,384,019
<u>Sewer Capital</u>							
2565	Sanitary Sewers	2027/12/01	4.820%	2,353,000	838,979	1,514,021	1,622,524
2565	Sanitary Sewers	2026/10/19	4.430%	1,129,000	458,839	670,161	724,565
2565	Sanitary Sewers	2025/10/13	4.170%	2,012,000	920,488	1,091,512	1,194,661
2565	Sanitary Sewers	2024/02/12	4.975%	1,256,000	607,009	648,991	714,222
				6,750,000	2,825,315	3,924,685	4,255,972
<u>General Capital Short Term</u>							
LUA-Oct 27/14	Recreation Centre	2020/03/25	1.380%	550,000	-	330,000	430,000
LUA-Jun 27/16	Recreation Centre	2021/06/27	1.380%	750,000	-	750,000	-
				1,300,000	-	1,080,000	430,000
				\$ 16,050,000	\$ 6,929,110	\$ 8,900,890	\$ 9,069,991

* Sinking fund column includes principal payments and actuarial earnings.

In 2002, the Council of the Township adopted Bylaw No. 2492 to authorize the borrowing for estimated renovation and upgrade costs for the Esquimalt Recreation Centre in the sum of \$6,800,000.

In 2003, the Council of the Township adopted Bylaw No. 2565 to authorize the construction of improvements to the sanitary sewer system and to borrow upon the credit of the Township a sum not to exceed \$6,750,000.

In 2014, the Council of the Township adopted Bylaw No. 2834 to authorize the construction of improvements to the Admirals Road corridor and to borrow upon the credit of the Township a sum not to exceed \$1,200,000.

In 2014, the Council of the Township adopted Bylaw No. LUA-Oct 27/14 to authorize the replacement of the front façade of the Archie Browning Sports Centre and to borrow short term upon the credit of the Township a sum not to exceed \$550,000.

In 2016, the Council of the Township adopted Bylaw No. LUA-Jun 27/16 to authorize the development and construction of Fraser Park and to borrow short term upon the credit of the Township a sum not to exceed \$750,000.

Total interest on debt for the year was \$419,669, including accrued interest of \$55,029 (2015 - \$465,201, including accrued interest of \$59,682).

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

4. Debt (continued):

The Township issues its debt instruments through the MFA. The debt is issued on a sinking fund basis, whereby MFA invests the Township's principal payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. Actuarial earnings on debt represent the repayment and/or forgiveness of debt by the MFA using surplus investment income generated by the principal payments.

Principal payments on debt for the next five years are as follows:

2017	\$	794,480
2018		794,480
2019		794,480
2020		684,480
2021		684,480

5. Obligations under capital leases:

The Township financed specific municipal hall and recreation department equipment by entering into capital leases with the MFA Leasing Corp. The Township will acquire ownership of the equipment at the end of the lease term. Repayments are due as shown.

2017	\$	18,362
2018		16,496
2019		15,713
2020		818
Total minimum payments		51,389
Less: Amounts representing interest (at prime plus 1%)		(1,292)
Present value of net minimum capital lease payments	\$	50,097

Total interest on leases for the year was \$1,023 (2015 - \$1,339).

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

6. Employee benefit and retirement obligations:

The Township provides sick leave and certain benefits to its employees. These amounts and other employee related liabilities that require funding in future periods are set out below:

Accumulated sick leave represents the liability for sick leave banks accumulated for estimated draw downs at future dates. Retirement benefit payments represent the Township's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments, death benefits, certain vacation entitlements in the year of retirement, and pension buyback arrangements for qualified employees.

Information about liabilities for employee benefit plans is as follows:

	2016	2015
Accrued benefit obligation, beginning of year	\$ 1,034,639	\$ 1,026,953
Service cost	95,500	97,600
Interest cost	35,200	33,900
Benefits payments	(174,600)	(125,900)
Past agreement refund accrual	894	2,086
Accrued benefit obligation, end of year	\$ 991,633	\$ 1,034,639

The actuarially accrued benefit obligation set out in the actuarial valuation is \$1,049,900 (2015 - \$998,100), resulting in a variance of \$58,267 between the obligation and the accrued benefit liability of \$991,633 (2015 - \$1,034,639). The variance is composed of the following two amounts: an actuarial net loss of \$84,700 (2015 - gain of \$17,400) and the special agreement refund accrual of \$26,433 (2015 - \$19,139). This actuarial loss is being amortized over a period equal to the employees' average remaining service lifetime of 11 years. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$124,300 (2015 - \$124,400).

The accrued benefit obligations and the net periodic benefit cost were estimated by actuarial valuation as of July 31, 2016. At December 31, 2016, the valuation was updated to reflect specific changes in the assumptions adopted in measuring the Township's accrued employee benefit obligations. The significant assumptions adopted in measuring the Township's accrued benefit obligations are as follows:

	2016	2015
Discount rates	3.50%	3.30%
Expected inflation rate	2.50%	2.50%
Expected wage and salary increase, based on age and gender	2.58% - 4.63%	2.58% - 4.63%

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

6. Employee benefit and retirement obligations (continued):

Municipal Pension Plan

The Township and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusted 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 government.

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 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 Plan 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 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 Township paid \$990,330 (2015 - \$1,007,820) for employer contributions while employees contributed \$871,884 (2015 - \$885,945) to the plan in fiscal 2016.

GVLRA - CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employee locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. The Township and its employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined as of December 31, 2014. At December 31, 2015, the total plan provision for approved and unreported claims was \$19,101,700 with a net deficit of \$1,519,599. The actuary does not attribute portions of the unfunded liability to individual employers. The Township paid \$71,782 (2015 - \$70,031) for employer contributions in fiscal 2016.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

7. Tangible capital assets:

Cost	Balance December 31, 2015	Additions	Disposals/ transfers	Balance December 31, 2016
Land and land improvements	\$ 41,568,572	\$ 208,941	\$ (25,988)	\$ 41,751,525
Building and building improvements	23,805,640	543,826	(17,835)	24,331,631
Vehicles, machinery and equipment	10,395,807	398,557	(151,735)	10,642,629
Water and wastewater infrastructure	24,522,090	135,439	-	24,657,529
Roads infrastructure	36,909,555	677,097	(360,585)	37,226,067
Work in progress	491,019	1,258,018	(112,115)	1,636,922
Total	\$ 137,692,683	\$ 3,221,878	\$ (668,258)	\$ 140,246,303

Accumulated amortization	Balance December 31, 2015	Disposals	Amortization expense	Balance December 31, 2016
Land and land improvements	\$ 10,081,299	\$ (25,987)	\$ 265,294	\$ 10,320,606
Building and building improvements	10,227,018	(17,838)	831,267	11,040,447
Vehicles, machinery and equipment	5,502,270	(149,407)	601,198	5,954,061
Water and wastewater infrastructure	11,605,529	-	411,921	12,017,450
Roads infrastructure	17,910,326	(306,578)	1,272,909	18,876,657
Total	\$ 55,326,442	\$ (499,810)	\$ 3,382,589	\$ 58,209,221

Net book value	Balance December 31, 2015	Balance December 31, 2016
Land and land improvements	\$ 31,487,273	\$ 31,430,919
Building and building improvements	13,578,622	13,291,184
Vehicles, machinery and equipment	4,893,537	4,688,568
Water and wastewater infrastructure	12,916,561	12,640,079
Roads infrastructure	18,999,229	18,349,410
Work in progress	491,019	1,636,922
Total	\$ 82,366,241	\$ 82,037,082

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

7. Tangible capital assets (continued):

(a) Assets under construction

Assets under construction having a value of \$1,636,922 (2015 - \$491,019) have not been amortized. Amortization of these assets will commence when the asset is available for service.

(b) Contributed tangible capital assets

Contributed tangible capital assets are recognized at fair market value at the date of contribution. There were contributed tangible capital assets having a value of \$nil during the year (2015 - \$224,694).

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category to which nominal values were assigned.

(d) Works of art and historical treasures

The Township manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Township sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets

There were no write-downs of tangible capital assets during the year (2015 - \$nil).

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

8. Accumulated surplus:

Accumulated surplus includes unappropriated operating funds and various appropriated operating accounts and reserve funds.

	2016	2015
Surplus:		
Equity in tangible capital assets	\$ 73,086,095	\$ 73,227,900
Unappropriated operating funds	5,057,402	3,393,428
	<u>78,143,497</u>	<u>76,621,328</u>
Appropriated operating funds:		
Future expenditures	687,843	893,597
Casino revenue	254,972	200,731
Community Works Fund	1,927,695	1,781,042
Uncollected taxes	100,000	100,000
Working capital	400,000	400,000
	<u>3,370,510</u>	<u>3,375,370</u>
Reserve funds set aside for specific purposes by Council:		
Capital Projects	1,677,118	1,701,786
Local Improvement	158,114	152,189
Machinery and Equipment	2,326,492	1,924,834
Municipal Archives Trust	2,992	2,972
Parkland Acquisition	84,369	83,698
Tax Sale Lands	115,190	114,273
Sustainability	157,232	196,123
Eva Chafe	33,297	33,032
Infrastructure and Revitalization	3,480,703	3,191,090
Public Art	12,009	-
	<u>8,047,516</u>	<u>7,399,997</u>
	<u>\$ 89,561,523</u>	<u>\$ 87,396,695</u>

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

9. Taxes:

	2016	2015
Taxes for municipal purposes:		
Property tax	\$ 15,140,352	\$ 14,626,924
Local Improvement	4,686	4,686
1% Utility tax	241,790	254,684
	\$ 15,386,828	\$ 14,886,294

As well as taxes for its own purposes, the Township is required to collect taxes on behalf of, and transfer these amounts to, the government agencies noted below. Taxes levied over or under the amounts requisitioned are recorded as accounts payable or receivable.

	2016	2015
Taxes, requisitions and levies collected on behalf of the following agencies are not included in these statements:		
Province of British Columbia - school purposes	\$ 5,288,532	\$ 5,421,471
Capital Regional District - requisition	2,110,509	1,757,464
Capital Regional District - 9-1-1 call answer levy	46,270	49,004
Capital Regional Hospital District - requisition	864,755	856,844
British Columbia Assessment Authority	178,067	183,854
British Columbia Transit - Victoria Regional Transit Commission	862,493	866,368
Municipal Finance Authority	597	572
	\$ 9,351,223	\$ 9,135,577

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

10. Payments in place of taxes:

	2016	2015
Payments in place of taxes received for municipal purposes:		
Federal government	\$ 12,520,748	\$ 11,676,582
British Columbia Hydro & Power Authority	88,970	96,148
Canada Mortgage and Housing Corporation	-	768
Provincial Rental Housing Corporation	2,504	2,523
	<u>\$ 12,612,222</u>	<u>\$ 11,776,021</u>
Payments in place of taxes collected on behalf of the following agencies are not included in these statements:		
Province of British Columbia - school purposes	\$ 2,925,458	\$ 3,115,077
Capital Regional District	1,718,520	1,458,549
Capital Regional Hospital District	537,146	546,509
British Columbia Assessment Authority	168,240	173,191
British Columbia Transit - Victoria Regional Transit Commission	747,034	764,027
Municipal Finance Authority	376	371
	<u>\$ 6,096,774</u>	<u>\$ 6,057,724</u>

11. Transfers from other governments:

	2016	2015
Conditional transfers from other governments:		
Federal	\$ 750,916	\$ 877,302
Provincial	499,213	2,890,465
Other agencies	5,000	-
	<u>1,255,129</u>	<u>3,767,767</u>
Unconditional transfers from other governments:		
Small communities protection	241,873	243,333
Traffic fine revenue sharing	353,437	398,047
	<u>595,310</u>	<u>641,380</u>
Total transfers from other governments	<u>\$ 1,850,439</u>	<u>\$ 4,409,147</u>

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

12. Commitments and contingencies:

(a) Contractual commitments:

At December 31, 2016, the following major contracts were in progress:

	Total amount of contract	Paid on contract to December 31, 2016
PerfectMind Inc.	\$ 79,504	\$ 42,726
Saywell Contract Ltd.	383,919	359,976
Story Construction Ltd.	1,285,580	921,613
	\$ 1,749,003	\$ 1,324,315

(b) MFA debt reserve fund deposits:

Under borrowing arrangements with the MFA, the Township is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits totalling \$223,469 (2015 - \$217,393) are included in the Township's financial assets as restricted cash and are held by the MFA as security against the possibility of debt repayment default. At December 31, 2016, there were contingent demand notes of \$464,917 (2015 - \$464,917), which are not recorded in the financial statements of the Township. If the debt is repaid without default, the deposits are refunded to the Township and demand notes are cancelled.

(c) Capital Regional District (the "District") debt, under a provision of the Local Government Act, is a direct, joint and several liability of the District and each member municipality within the District, including the Township.

(d) The Township is a shareholder and member of the Capital Regional Emergency Service Telecommunications (CREST) Incorporated whose services provide centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

12. Commitments and contingencies (continued):

- (e) The Township entered into a long-term contract with the City of Victoria and the Victoria and Esquimalt Police Board (the "Police Board") effective January 1, 2014 and extending until December 31, 2023. Under the terms of this contract, the Township is responsible to fund a percentage of the annual police budget. The 2017 required contributions on behalf of the Township are \$7,707,017 (14.7% of the Police Board budget). Further contributions may be required by the Township in respect to the settlement of claims and insurance deductibles, or in the event that insufficient funds are available to the Police Board in the event of a deficit. The extent of any further contributions will be recorded when a liability is likely and determinable.

- (f) The Township is a defendant in various lawsuits. An accrual is recorded in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. The Township is self-insured through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$10,000. Should the Association pay out claims in excess of premiums received, it is possible that the Township, along with the other participants, would be required to contribute towards the deficit.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

13. Financial plan data:

The financial plan data presented in these financial statements is based upon the 2016 operating and capital financial plan approved by Council on May 2, 2016. Amortization, a non-cash item, was not included in the development of the financial plan and, as such, has not been budgeted. The chart below reconciles the approved financial plan to the financial plan figures reported in these financial statements.

	Financial plan amount
Revenues:	
Operating budget	\$ 38,120,860
Less:	
Transfer from other funds	(5,284,776)
Proceeds on debt issue	(177,062)
Total revenue	32,659,022
Expenses:	
Operating budget	38,120,860
Less:	
Capital expenditures	(4,797,052)
Transfer to other funds	(2,105,542)
Debt principal payments	(644,482)
Total expenses	30,573,784
Annual surplus	\$ 2,085,238

14. Subsequent event:

In February 2017, the Township entered into agreements with the Capital Regional District related to the hosting for the Core Area Wastewater Treatment Facility. These agreements outline the amenities to be received by the Township, which include annualized payments of \$55,000 for the duration of the facility's useful life, allowances for the restoration of transportation infrastructure and a total of \$17,000,000 to be held in Township reserve funds for the purposes of public safety, recreation facility and waterfront park improvements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

15. Segmented information:

The Township is a diversified municipal organization that provides a wide range of services to its citizens. For management reporting purposes, the Township's operations and activities are organized and reported by service area. Municipal services are provided by departments and their activities are reported in these service areas. Service areas that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government:

The general government operations provide the functions of building services and maintenance, corporate administration, finance, human resources, legislative services and any other functions categorized as non-departmental.

(b) Protective Services:

Protective services is comprised of four functions, including the Township's community safety and emergency program services, fire, police and regulatory and development services. The emergency program services prepare the Township to be more prepared and able to respond to, recover from, and be aware of the devastating effects of a disaster or major catastrophic event that will impact the community. The fire department is responsible for providing critical, life-saving services in preventing or minimizing the loss of life and property from fire and natural or man-made emergencies.

The police services provided by the City of Victoria ensure the safety of the lives and property of the Township as well as Victoria citizens through the enforcement of municipal bylaws, criminal laws and the laws of British Columbia, the maintenance of law and order, and the prevention of crime. The mandate of the regulatory and development services is to promote, facilitate and enforce general compliance with the provisions of bylaws that pertain to the health, safety and welfare of the community and to provide a full range of planning services related to zoning, development permits, variance permits and current regulatory issues.

(c) Transportation:

Transportation services is responsible for a wide variety of transportation functions such as parking, engineering operations and street maintenance management. This department provides infrastructure, traffic control and transportation planning services, as well as providing services related to infrastructure, land development impacts on transportation, traffic management, pedestrian and cycling issues and on-street parking regulations.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

15. Segmented information (continued):

(d) Environmental Health:

Environmental and health services include solid waste services and services related to sanitary and storm sewer systems. Solid waste services include collection of solid waste, household garbage and recycling. Sanitary and sewer services include the construction and maintenance of the sewer distribution systems to protect the environment and public health from the impacts of liquid wastes generated as a result of human occupation and development in the Township.

(e) Environmental Development:

Environmental development works to achieve the Township's community planning goals through the official community plan, neighbourhood plans, special sector and precinct plans and urban design and other policy initiatives. The department is also responsible for the heritage program, downtown vitality and public use of space.

(f) Recreation, Parks and Culture:

Recreation services facilitates the provision of recreation and wellness programs and services through the Township's pool, arena, community and seniors' centres. The parks department preserves and enhances green spaces on public lands; and is responsible for the maintenance, planning and development of all park facilities such as ornamental gardens, natural ecosystems, sport and entertainment venues and playgrounds for recreational and cultural enjoyment in a beautiful and safe environment. The cultural department is responsible to co-ordinate and lead efforts to enhance our neighbourhoods, foster arts and culture, and work to create a Township that is vibrant and people-centric.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

15. Segmented information (continued):

2016	General government	Protective services	Transportation	Environmental health	Environmental development	Recreation, parks and culture	Total
Revenues:							
Taxation	\$ 27,999,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,999,050
Goods and services	1,336,463	104,936	209,634	208,517	44,071	2,744,913	4,648,534
Government transfers	1,305,601	353,637	140,483	-	20,572	30,146	1,850,439
Total revenue	30,641,114	458,573	350,117	208,517	64,643	2,775,059	34,498,023
Expenses:							
Salary and wages	2,229,765	4,037,095	1,743,096	341,152	534,996	5,610,323	14,496,427
Materials, supplies and services	1,190,236	8,103,319	873,667	561,126	348,151	2,955,838	14,032,337
Interest and other	2,173	-	7,704	224,765	-	187,200	421,842
Amortization	303,288	190,787	1,712,160	394,200	-	782,154	3,382,589
Total expenses	3,725,462	12,331,201	4,336,627	1,521,243	883,147	9,535,515	32,333,195
Annual surplus (deficit)	\$ 26,915,652	\$ (11,872,628)	\$ (3,986,510)	\$ (1,312,726)	\$ (818,504)	\$ (6,760,456)	\$ 2,164,828

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2016

15. Segmented information (continued):

2015	General government	Protective services	Transportation	Environmental health	Environmental development	Recreation, parks and culture	Total
Revenues:							
Taxation	\$ 26,662,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,662,315
Goods and services	1,096,310	63,480	322,519	477,483	15,550	2,726,570	4,701,912
Government transfers	1,273,193	398,047	2,701,492	-	19,947	16,468	4,409,147
Total revenue	29,031,818	461,527	3,024,011	477,483	35,497	2,743,038	35,773,374
Expenses:							
Salary and wages	2,134,152	3,465,223	1,731,331	315,453	548,779	5,403,813	13,598,751
Materials, supplies and services	1,411,629	7,964,089	708,518	534,432	212,352	3,038,656	13,869,676
Interest and other	2,045	-	5,551	262,129	-	187,179	456,904
Amortization	281,840	162,330	1,695,398	565,331	-	731,808	3,436,707
Total expenses	3,829,666	11,591,642	4,140,798	1,677,345	761,131	9,361,456	31,362,038
Annual surplus (deficit)	\$ 25,202,152	\$ (11,130,115)	\$ (1,116,787)	\$ (1,199,862)	\$ (725,634)	\$ (6,618,418)	\$ 4,411,336