

**Pemberton Valley Dyking District
Financial Statements
For the year ended December 31, 2015**

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For the year ended December 31, 2015**

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Independent Auditor's Report

To the Trustees of the Pemberton Valley Dyking District:

We have audited the accompanying financial statements of the Pemberton Valley Dyking District, which comprise the statement of financial position as at December 31, 2015, and the 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 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pemberton Valley Dyking District as at December 31, 2015, and the results its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.


BDO Canada LLP.

Chartered Professional Accountants


Whistler, British Columbia
April 14, 2016

Pemberton Valley Dyking District
Statement of Financial Position

<u>December 31</u>	<u>2015</u>	<u>2014</u>
Financial Assets		
Cash (Note 1)	\$ 224,818	\$ 588,859
Investments (Note 2)	686,462	107,514
Accounts receivable	12,701	37,894
Taxes receivable (Note 3)	127,154	137,705
Government transfers receivable (Note 4)	64,262	197,152
	<u>1,115,397</u>	<u>1,069,124</u>
Liabilities		
Accounts payable and accrued liabilities	<u>52,493</u>	<u>48,960</u>
Net financial assets	<u>\$ 1,062,904</u>	<u>\$ 1,020,164</u>
Non-financial assets		
Tangible capital assets (Note 5)	2,035,754	2,080,948
Prepaid expenses	9,071	9,036
	<u>2,044,825</u>	<u>2,089,984</u>
Accumulated surplus (Note 6)	<u>\$ 3,107,729</u>	<u>\$ 3,110,148</u>



Trustee



Trustee

Pemberton Valley Dyking District
Statement of Operations

For the year ended December 31	Budget 2015	2015	2014
Revenue			
Taxation	\$ 526,078	\$ 523,908	\$ 523,742
Excavator rentals	2,000	287	39,923
Government transfers (Note 4)	-	72,490	437,842
Interest and miscellaneous	12,500	17,619	23,900
	540,578	614,304	1,025,407
Expenses			
Administration	176,875	176,486	158,613
Amortization	45,616	47,905	50,030
Bad Debts	-	(7,244)	67,602
District maintenance	350,410	393,553	158,049
Excavator	875	-	17,244
Repairs and maintenance	8,000	6,023	14,315
	581,776	616,723	465,853
Annual surplus (deficit)	\$ (41,198)	\$ (2,419)	\$ 559,554
Accumulated surplus, beginning of year	3,110,148	3,110,148	2,550,594
Accumulated surplus, end of year	\$ 3,068,950	\$ 3,107,729	\$ 3,110,148

Pemberton Valley Dyking District
Statement of Changes in Net Financial Assets

For the year ended December 31	Budget 2015	2015	2014
Annual surplus (deficit)	\$ (41,198)	\$ (2,419)	\$ 559,554
Acquisition of tangible capital assets	(89,000)	(2,711)	(650,072)
Amortization of tangible capital assets	45,616	47,905	50,030
	(84,582)	42,775	(40,488)
Acquisition of prepaid expenses	-	(35)	(1,226)
Increase (decrease) in net financial assets	(84,582)	42,740	(41,714)
Net financial assets, beginning of year	\$ 1,020,164	\$ 1,020,164	\$ 1,061,878
Net financial assets, end of year	\$ 935,582	\$ 1,062,904	\$ 1,020,164

Pemberton Valley Dyking District
Statement of Cash Flows

For the year ended December 31	2015	2014
Cash provided by (used in)		
Operating transactions		
Annual surplus (deficit)	\$ (2,419)	\$ 559,554
Items not involving cash:		
Amortization of tangible capital assets	47,905	50,030
Bad debt expense	-	67,602
Changes in non-cash operating balances		
Accounts receivable	25,193	(30,947)
Taxes receivable	10,551	(29,879)
Government transfers receivable	132,890	(197,152)
Prepaid expenses	(35)	(1,226)
Accounts payable and accrued liabilities	3,533	16,476
	217,618	434,458
Capital transactions		
Acquisition of tangible capital assets	(2,711)	(650,072)
Investing transactions		
Purchase (sale) of investments	(578,948)	305,636
(Decrease) increase in cash during the year	(364,041)	90,022
Cash, beginning of year	588,859	498,837
Cash, end of year	\$ 224,818	\$ 588,859

Pemberton Valley Dyking District Summary of Significant Accounting Policies

December 31, 2015

**Management's
Responsibility for the
Financial Statements**

The financial statements of the Pemberton Valley Dyking District ("the District") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards.

**Nature of
Operations**

The District was formed for the purpose of maintaining dykes on behalf of the residents of the Pemberton Valley and is subject to the laws and regulations of the Local Government Act, and is therefore not taxable under section 149 of the income tax act.

Government Transfers

Government transfers which include government grants are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Government transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Government transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

**Revenue
Recognition**

Tax assessment revenues are not restricted in use and are recorded as receivable when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Excavator revenue is not restricted in use and is recognized as earned.

Interest revenue is recognized as earned.

Reimbursement revenue is not restricted in use and is recognized when earned, measurable, and collection is reasonably assured.

Investments

Investments are carried at cost plus accrued interest, which approximates market value.

Financial Instruments

The District's financial instruments consist of cash, investments, accounts receivable, government transfers receivable and accounts payable and accrued liabilities. Unless otherwise indicated, it is management's opinion that the District is not exposed to any significant interest, credit or currency risks arising from these financial instruments.

Pemberton Valley Dyking District Summary of Significant Accounting Policies

December 31, 2015

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recognized in the financial statements. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Bridges	- 40 years
Buildings	- 20 years
Furniture and fixtures	- 10 years
Equipment	- 5 to 10 years
Survey data	- 5 years

No amortization is provided on dyking projects. It is management's belief that these assets have an indefinite life. They are reviewed every year by the district to ensure they are fully functional, any work performed on the dyke to maintain their functionality is considered repairs and maintenance and expensed as incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. The area requiring the greatest level of estimation for the District is the useful lives of capital assets.

Budget Amounts

Budget amounts reflect the Annual Budget adopted by the Trustees on May 21, 2015.

Segmented Operations

The District considers that its only program is the maintenance of dykes. As such it has only one operating segment and does not report details of revenues and expenses by segment.

Adoption of New Accounting Policy

On January 1, 2015, the District adopted PS 3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis to January 1, 2014 and did not result in any adjustments to financial liabilities or accumulated surplus of the District.

Pemberton Valley Dyking District
Notes to Financial Statements

December 31, 2015

1. Cash

The District's bank accounts are held at a Canadian chartered bank and a BC Credit Union. These accounts earn interest at the current prevailing rates.

2. Investments

At December 31, 2015, the District held four Guaranteed Investment Certificates ("GICs") at a BC credit union and six GICs at a Canadian chartered bank. The GICs earn interest ranging from 0.76 to 3.25% and mature between July 9, 2016 and December 19, 2016.

3. Taxes Receivable

	2015	2014
Current - become arrears January 1	\$ 76,223	\$ 82,031
Arrears - become second year arrears January 1	27,488	30,245
Second year arrears - become delinquent January 1	7,544	14,211
Delinquent - since January 1	5,338	-
Interest receivable - arrears	1,256	1,436
Interest receivable - second year arrears	798	1,580
Interest receivable - delinquent	886	-
Penalties	7,621	8,202
	\$ 127,154	\$ 137,705

4. Government Transfers

In 2015, the District recorded \$72,490 in provincial government transfers for the purposes of funding the required response and recovery costs resulting from the high water event in September 2015.

In 2014, the District recorded \$437,842 in provincial government transfers for the purpose of completing an upgrade to the Ayers Dyke to bring the dyke up to a 200 year flood event standard and adding an early warning system on the Lillooet River, both of which were capitalized in 2014 (Note 5).

Pemberton Valley Dyking District
Notes to Financial Statements

December 31, 2015

5. Tangible Capital Assets

	Open Net Book Value	Additions	Disposals	Amortization	Close Net Book Value
Land	\$ 112,719	\$ -	\$ -	\$ -	\$ 112,719
Furniture and fixtures	14,279	536	-	(3,928)	10,887
Equipment	228,319	2,175	-	(43,977)	186,517
Dyking projects	1,725,631	-	-	-	1,725,631
	<u>\$ 2,080,948</u>	<u>\$ 2,711</u>	<u>\$ -</u>	<u>\$ (47,905)</u>	<u>\$ 2,035,754</u>

Net book value at December 31, 2015 consists of:

	Cost	Accumulated Amortization	Net Book Value
Land	\$ 112,719	\$ -	\$ 112,719
Buildings	14,001	(14,001)	-
Furniture and fixtures	71,019	(60,132)	10,887
Equipment	545,299	(358,782)	186,517
Survey data	28,073	(28,073)	-
Dyking projects	1,725,631	-	1,725,631
	<u>\$ 2,496,742</u>	<u>\$ (460,988)</u>	<u>\$ 2,035,754</u>

Net book value for the comparative period, December 31, 2014, consists of:

	Cost	Accumulated Amortization	Net Book Value
Land	\$ 112,719	\$ -	\$ 112,719
Buildings	14,001	(14,001)	-
Furniture and fixtures	70,484	(56,205)	14,279
Equipment	543,123	(314,804)	228,319
Survey data	28,073	(28,073)	-
Dyking projects	1,725,631	-	1,725,631
	<u>\$ 2,494,031</u>	<u>\$ (413,083)</u>	<u>\$ 2,080,948</u>

Pemberton Valley Dyking District
Notes to Financial Statements

December 31, 2015

5. Tangible Capital Assets (continued)

Dyking projects at December 31 consist of:

	2015	2014
A.R.D.S.A. project expenditures - rockwork	\$ 538,000	\$ 538,000
Mackenzie cut - dyking project	10,636	10,636
River protection assistance program (R.P.A.P.)		
Phase I - dyking project	215,648	215,648
Phase II - dyking project	223,124	223,124
Area 3 - dyking project	49,228	49,228
Pomeroy property - rockwork	7,705	7,705
Ryan River 1986 dyking project	59,331	59,331
Ryan River 1993 dyking project	10,193	10,193
Ayers 2014 dyking project	611,766	611,766
	\$ 1,725,631	\$ 1,725,631

As the District's dyking assets were built several years ago, the replacement value of these assets in current dollars is significantly higher than the historical net book value reflected in these financial statements. Annual maintenance requirements and associated costs for these assets are large relative to these net book values. For this reason, the District needs to maintain a level of financial assets on hand to ensure it can maintain and protect these assets, as described in Note 6.

6. Accumulated Surplus

The District segregates its accumulated surplus in the following categories:

	2015	2014
Investment in tangible capital assets (Note 7)	\$ 2,035,754	\$ 2,080,948
Renewal Reserve Fund	356,091	281,609
Unrestricted Fund	715,884	747,591
	\$ 3,107,729	\$ 3,110,148

The District is responsible for maintaining the dyking assets and performs annual maintenance and repairs to protect the replacement value of those assets. In addition, as part of its risk management policy, the District has built its accumulated surplus over time to ensure that it has sufficient resources on hand in the event that substantial repairs or maintenance are required at any one time. In the last three years, renewal reserve and unrestricted funds have exceeded \$1,000,000, which management believes is the minimum working capital required to fund current operations and maintain a cash reserve to protect against unknown contingencies.

Pemberton Valley Dyking District
Notes to Financial Statements

December 31, 2015

7. Investment in Tangible Capital Assets

The following summarizes the changes in the Investment in Tangible Capital Assets:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 2,080,948	\$ 1,480,906
Current fund contributions for acquisition of tangible capital assets	2,711	650,072
Amortization	<u>(47,905)</u>	<u>(50,030)</u>
Balance, end of year	<u>\$ 2,035,754</u>	<u>\$ 2,080,948</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other assets.

8. Municipal Pension Plan

The District 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, plan membership is broken down into about 185,000 active members, 80,000 retired members, and 33,000 inactive members. Active members include approximately 37,000 contributors from local governments. The Plan holds assets in excess of \$40 billion.

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 contributions 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. The rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation as at December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2015, with results available later in 2016.

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

The District paid \$16,940 (2014 - \$15,285) for employer contributions to the Plan in fiscal 2015.

Pemberton Valley Dyking District
Notes to Financial Statements

December 31, 2015

9. Expenses by Object

	<u>2015</u>	<u>2014</u>
Wages and benefits	\$ 175,647	\$ 162,694
Goods and services	400,415	185,527
Amortization	47,905	50,030
Bad debts	<u>(7,244)</u>	<u>67,602</u>
	<u>\$ 616,723</u>	<u>\$ 465,853</u>