



Consolidated Financial Statements of  
**CITY OF COLWOOD**

Year Ended December 31, 2015

**CITY OF COLWOOD**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2015**

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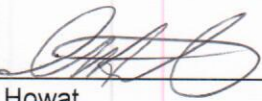
## STATEMENT OF MANAGEMENT'S RESPONSIBILITY


Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards. This responsibility includes selecting appropriate accounting principles and methods, and decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Council of the City of Colwood met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

MNP LLP, as the City's appointed external auditors, have audited the consolidated financial statements. The Auditor's report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the City in accordance with Canadian Public Sector Accounting Standards.

  
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Ian Howat  
Chief Administrative Officer

  
\_\_\_\_\_  
Andrea deBucy, CPA, CGA  
Interim Director of Finance

**CITY OF COLWOOD**  
**Consolidated Statement of Financial Position**


Statement A

As at December 31, 2015

	2015	2014
<b>Financial Assets:</b>		
Cash and cash equivalents (Note 3)	\$ 20,433,355	\$ 17,933,297
Property taxes receivable	754,614	1,051,745
Accounts receivable	1,387,581	1,417,489
	<u>22,575,550</u>	<u>20,402,531</u>
<b>Financial Liabilities:</b>		
Accounts payable and accrued liabilities (Note 4)	4,501,944	4,097,790
Prepaid property taxes	218,999	286,988
Deferred revenue (Note 5)	5,353,707	4,673,940
Refundable deposits	1,707,217	1,727,732
Capital leases (Note 6)	2,114,724	1,074,756
Short-term financing ( Note 7)	2,100,816	2,100,816
Long-term debt (Note 7)	8,307,221	9,195,808
	<u>24,304,628</u>	<u>23,157,830</u>
<b>Net Debt</b>	<b>(1,729,078)</b>	<b>(2,755,299)</b>
<b>Commitments and Contingencies (Note 12)</b>		
<b>Non-financial assets:</b>		
Tangible capital assets (Note 8)	135,228,786	135,050,719
Inventory of supplies	864,180	876,284
Prepaid expenses	355,866	348,014
	<u>136,448,832</u>	<u>136,275,017</u>
<b>Accumulated surplus (Note 9)</b>	<b>\$ 134,719,754</b>	<b>\$ 133,519,718</b>

Approved on behalf of the City

  
 Chief Administrative Officer

  
 Interim Director of Finance  
 ANDREA DEBUCY, CPA, CGA

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

**CITY OF COLWOOD**  
**Consolidated Statement of Operations**

**Statement B**

As at December 31, 2015

	Budget (Note 13)	2015	2014
<b>Revenue</b>			
Taxation (Note 10)	\$ 14,752,865	\$ 15,035,364	\$ 14,171,173
User charges	2,782,707	3,351,112	3,095,656
Fines and penalties	243,500	154,902	254,458
Investment earnings	40,000	282,380	255,792
Unconditional government transfers (Note 11)	653,353	708,152	549,832
Conditional government transfers (Note 11)	1,185,745	678,653	737,418
Developer contributions	217,500	234,852	278,449
Other	31,725	209,679	68,437
	<u>19,907,395</u>	<u>20,655,094</u>	<u>19,411,215</u>
<b>Expenses</b>			
General government	\$ 3,089,026	\$ 3,363,331	\$ 2,913,341
Protective services	5,840,021	5,765,870	5,476,734
Engineering and transportation services	3,863,832	4,559,148	4,618,961
Environmental health services	301,725	316,576	219,440
Environmental development services	847,072	685,129	698,962
Recreation, parks and culture	3,380,721	3,640,461	3,583,971
Sewer utility and enterprise services	726,617	1,084,407	1,025,830
	<u>18,049,014</u>	<u>19,414,922</u>	<u>18,537,239</u>
Annual surplus from City operations	1,858,381	1,240,172	873,976
Loss on change in proportionate share of Westshore Parks and Recreation Society	-	(40,136)	(207,219)
<b>Annual surplus</b>	1,858,381	1,200,036	666,757
Accumulated surplus, beginning of year	-	133,519,718	132,852,961
<b>Accumulated surplus, end of year</b>	\$ -	\$ 134,719,754	\$ 133,519,718

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

**CITY OF COLWOOD**  
**Consolidated Statement of Change in Net Debt**

Statement C

As at December 31, 2015

	Budget (Note 13)	2015	2014
<b>Annual surplus</b>	\$ 1,858,381	\$ 1,200,036	\$ 666,757
Acquisition of tangible capital assets (purchased)	(3,635,504)	(801,653)	(876,456)
Acquisition of tangible capital assets (leased)	(185,000)	(1,350,000)	(152,755)
Amortization of tangible capital assets	-	1,930,616	2,411,356
(Gain) on disposal of tangible capital assets	-	(45,694)	(10,121)
Proceeds on disposal of tangible capital assets	-	48,530	23,393
Loss on change in proportionate share of Westshore Parks and Recreation Society	-	40,136	207,219
	(1,962,123)	1,021,971	2,269,393
Acquisition (consumption) of inventory of supplies	-	12,104	27,253
Acquisition (use) of prepaid expenses	-	(7,854)	7,271
	-	4,250	34,524
Change in net debt	(1,962,123)	1,026,221	2,303,917
Net debt, beginning of year	(2,755,299)	(2,755,299)	(5,059,216)
<b>Net debt, end of year</b>	\$ (4,717,422)	\$ (1,729,078)	\$ (2,755,299)

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

**CITY OF COLWOOD**  
**Consolidated Statement of Cash Flows**

**Statement D**

As at December 31, 2015

	2015	2014
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus (deficit)	\$ 1,200,036	\$ 666,757
Items not involving cash:		
Amortization of tangible capital assets	1,930,616	2,411,356
Loss/(Gain) on disposal of tangible capital assets	(45,694)	(10,121)
Actuarial adjustment on debt	(148,693)	(114,204)
Loss/(Gain) on change in proportionate share of Westshore Parks and Recreation Society	40,136	207,219
Change in non-cash operating assets and liabilities		
Property taxes receivables	272,961	764,964
Accounts receivable	29,908	(289,216)
Accounts payable and accrued liabilities	404,154	(397,897)
Prepaid property taxes	(43,819)	70,508
Deferred revenue	679,767	920,631
Refundable deposits	(20,515)	403,881
Inventory of supplies	12,104	27,253
Prepaid expenses	(7,854)	7,271
	<b>4,303,107</b>	<b>4,668,402</b>
<b>Investing activities:</b>		
Acquisition of tangible capital assets (purchased)	(801,653)	(876,456)
Proceeds on disposal of tangible capital assets	48,530	23,393
	<b>(753,123)</b>	<b>(853,063)</b>
<b>Financing activities:</b>		
Capital lease payments	(310,032)	(149,813)
Debt Payments	(739,894)	(1,067,099)
	<b>(1,049,926)</b>	<b>(1,216,912)</b>
Increase in cash and cash equivalents	<b>2,500,058</b>	<b>2,598,427</b>
Cash and cash equivalents, beginning of year	<b>17,933,297</b>	<b>15,334,870</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 20,433,355</b>	<b>\$ 17,933,297</b>
Supplemental cash flow information		
Cash paid for interest	\$ 545,801	\$ 546,216
Cash received from interest	\$ 129,778	\$ 137,288

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

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### 1. General

City of Colwood (the "City") is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. The City provides municipal services such as police, fire, public works, engineering, planning, parks, recreation, community development, conference facilities and other general government operations.

### 2. Significant Accounting Policies

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

#### ***Reporting entity***

The financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The financial statements also include the proportionate consolidation of the City's share of the West Shore Parks and Recreation Society.

#### ***Basis of accounting***

The City 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.

#### ***Government transfers***

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

#### ***Deferred revenue***

Deferred revenue includes non-government 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 expenses are incurred, services performed, or the tangible capital assets are acquired. Development cost charges are amounts which are restricted by government legislation or agreement with external parties. When qualifying expenditures are incurred development cost charges are recognized as revenue in amounts which equal the associated expenses.

#### ***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.



# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### 2. Significant Accounting Policies (continued from previous page)

#### **Cash equivalents**

Cash equivalents include short-term highly liquid investments that are cashable on demand or have a term to maturity of 90 days or less at acquisition.

#### **Investments**

Investments are recorded at cost. Investments in the Municipal Finance Authority of British Columbia ("MFA") Money Market Funds are recorded at cost plus earnings reinvested in the funds. Market value for investments is the same as book value.

#### **Long-term debt**

Long-term debt is recorded net of principal repayments and actuarial adjustments.

#### **Employee future benefits**

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

Sick leave and other benefits are also available to the City's employees. The costs of these benefits are determined based on length of 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.

#### **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 - years
Building and building improvements	25 - 70
Vehicles, machinery and equipment	5 - 25
Water and wastewater infrastructure	75 - 100
Parks and land improvements	15 - 40
Roads infrastructure	10 - 75

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.

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### 2. Significant Accounting Policies *(continued from previous page)*

#### **Non-financial assets** *(continued from previous page)*

- II. Contributions of tangible capital assets  
Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.
- III. Natural resources  
Natural resources that have not been purchased are not recognized as assets in the financial statements.
- IV. 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.
- V. Interest capitalization  
The City does not capitalize interest costs associated with tangible capital assets.
- VI. 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.
- VII. Inventory of supplies  
Inventory of supplies held for consumption is recorded at the lower of cost and replacement cost, using the first in, first out method.

#### ***Use of estimates***

The preparation of financial statements 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 provisions for accrued liabilities, performing calculations of employee future benefits and estimating the useful lives of tangible capital assets. Actual results could differ from these estimates.

Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the City is responsible for.

#### ***Refundable deposits***

Receipts restricted by third parties are deferred and reported as refundable deposits under certain circumstances. Refundable deposits are returned when the third party meets their obligations or the deposits are recognized as revenue when qualifying expenditures are incurred.

#### ***Liability for contaminated sites***

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the City is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### 2. Significant Accounting Policies *(continued from previous page)* **Liability for contaminated sites** *(continued from previous page)*

reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2015.

At each financial reporting date, the City reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The City continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

#### **Recent accounting pronouncements**

##### **PS 2200 Related Party Disclosures**

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board (PSAB) issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

This section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted.

The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

##### **PS 3210 Assets**

In June 2015, new PS 3210 Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.

The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### 2. Significant Accounting Policies *(continued from previous page)* **PS 3210 Assets** *(continued from previous page)*

An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

#### **PS 3320 Contingent Assets**

In June 2015, new PS 3320 Contingent Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date.

Elected or public sector entity officials announcing public sector entity intentions after the financial statement date cannot create an existing condition or situation at the financial statement date.

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

#### **PS 3380 Contractual Rights**

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.

Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

Disclosures should include descriptions about nature, extent, and timing.

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### Significant Accounting Policies *(continued from previous page)*

#### PS 3380 Contractual Rights *(continued from previous page)*

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

#### PS 3430 Restructuring Transactions

In June 2015, new PS 3430 Restructuring Transactions was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction.

A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.

Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense.

Restructuring-related costs are recognized as expenses when incurred.

Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date.

The financial position and results of operations prior to the restructuring date are not restated.

Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

The Section is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018. Earlier application is encouraged.

The City does not expect application of the new Standard to have a material effect on the consolidated financial statements.

### 3. Cash and cash equivalents

	2015		2014
Bank Deposits	\$ 16,265,118	\$	13,800,367
MFA - Money Market Fund	4,168,237		4,132,930
	<b>\$ 20,433,355</b>	<b>\$</b>	<b>17,933,297</b>

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**City of Colwood**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

**4. Accounts payable and accrued liabilities**

	<b>2015</b>	<b>2014</b>
Trade accounts payable	\$ 371,443	\$ 979,767
Government accounts payable	1,537,352	1,698,757
Wages payable	65,412	40,805
Employee future benefits	548,200	506,800
Other accruals	1,706,338	669,417
West Shore Parks and Recreation Society	273,199	202,244
	<b>\$ 4,501,944</b>	<b>\$ 4,097,790</b>

**Employee Future Benefits**

	<b>2015</b>	<b>2014</b>
Accrued sick leave	\$ 281,300	\$ 257,400
Retirement benefit payments	266,900	249,400
	<b>\$ 548,200</b>	<b>\$ 506,800</b>

	<b>2015</b>	<b>2014</b>
Accrued benefit obligation:		
Balance, beginning of year	\$ 506,800	\$ 504,896
Current service cost	56,300	49,400
Interest cost	17,000	18,600
Benefits paid	(13,500)	(31,100)
Actuarial	(18,400)	(34,996)
<b>Balance, end of year</b>	<b>\$ 548,200</b>	<b>\$ 506,800</b>

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

	<b>2015</b>	<b>2014</b>
Discount rates	3.10%	3.10%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2.58%-4.63%	2.58%-4.63%

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### 4. Accounts payable and accrued liabilities (continued from previous page)

#### Municipal Pension Plan

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 contributors from local government, including approximately 75 contributors from the City of Colwood.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1.37 billion funding deficit for basic pension benefits. The next valuation took place during the year ended December 31, 2015 with results available in 2016.

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, with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The City of Colwood paid \$586,540 (2014 - \$513,186) for employer contributions in fiscal 2015. City employees contributed \$486,039 (2014 - \$413,159) to the Plan in fiscal 2015.

#### GVLRA - CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relationship Association representing a number of employers and the Canadian Union of Public Employees representing a number of CUPE locals. The Trust's sole purpose is to provide a long term disability income benefit plan. The City 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, 2011. As of December 31, 2013, the total plan provision for approved and unreported claims was \$18,615,400 with a net deficit of \$5,484,632. The City paid \$52,553 (2014 - \$44,406) for employer contributions and City employees paid \$54,781 (2014 - \$50,875) to the plan in fiscal 2015.

**City of Colwood**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

**5. Deferred revenue**

	<b>2015</b>	<b>2014</b>
Building permit fees	\$ 101,050	\$ 114,500
Federal Gas Tax funds	2,182,474	1,855,133
Development cost charges	1,608,595	1,372,280
Cash in lieu of parklands	387,600	368,706
Provincial government grants	7,017	8,353
Sidewalk fund	221,133	221,133
Frontage	481,776	410,824
Other	88,148	62,790
West Shore Parks and Recreation	275,914	260,221
	<b>\$ 5,353,707</b>	<b>\$ 4,673,940</b>

**Federal Gas Tax funds**

	<b>2015</b>	<b>2014</b>
Opening balance of unspent funds	\$ 1,855,133	\$ 1,309,391
Add:		
Amounts received during the year	707,550	707,550
Interest income restricted for projects	19,452	18,621
	<b>2,582,135</b>	<b>2,035,562</b>
Less: amount spent on projects and recorded as revenue	(399,661)	(180,429)
	<b>\$ 2,182,474</b>	<b>\$ 1,855,133</b>

**6. Capital leases**

- a) The City leases fire and rescue equipment and operations equipment under capital leases. The economic substance of the leases is that the City is financing the acquisition of the assets through the leases and, accordingly, they are recorded in the City's tangible capital assets (see note 8). All City leases are financed through the Municipal Finance Authority.



**City of Colwood**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

**6. Capital leases** (continued from previous page)

b) Future minimum lease payments under the capital leases together with the balance of the obligations due are as follows:

	<b>Total</b>
2016	\$ 288,923
2017	286,325
2018	268,406
2019	209,005
2020	1,175,620
Total minimum lease payments	2,228,279
Less: amount representing interest	113,555
<b>Obligations under capital lease</b>	<b>\$ 2,114,724</b>

c) Total interest expense for leases during the year was \$27,283 (2014 - \$20,520) and interest rates were constant at 1.85% (2014 - 2%).

**7. Debt**

a) Short-term debt:

Short-term debt of \$2,100,816 (2014 - \$2,100,816) is with the MFA and bears interest at 1.5%.

b) Long-term debt:

The City issues long-term debt instruments through the MFA and the amount payable is \$8,307,221 (2014 - \$9,195,808).

c) Principal payments on long-term debt for the next five years are as follows:

	<b>Total</b>
2016	\$ 723,052
2017	667,442
2018	667,442
2019	440,636
2020	418,564
	<b>\$ 2,917,136</b>

d) Maturities and interest rates:

Existing long-term debt matures from 2016 to 2024 and interest rates range from 3.15% to 4.9%.

e) Interest expense:

Total interest expense during the year was \$506,661 (2014 - \$515,659)

**City of Colwood**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2015

**8. Tangible capital assets**

2015	Work in Progress	Land	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Park and Land Improvement	Road Infrastructure	West Shore	Total 2015	Total 2014
<b>Cost</b>										
Balance, beginning of year	404,132	58,518,410	5,694,447	10,571,423	30,159,069	1,754,279	62,447,098	14,994,930	184,543,788	183,927,071
Additions	143,053	-	126,622	2,074,300	-	94,558	-	10,720	2,449,253	1,029,211
Disposals	(297,600)	(2,835)	-	(113,853)	-	-	-	-	(414,288)	(156,489)
Change in Westshore Share	-	-	-	-	-	-	-	(50,612)	(50,612)	256,005
<b>Balance, end of year</b>	<b>249,585</b>	<b>58,515,575</b>	<b>5,821,069</b>	<b>12,531,870</b>	<b>30,159,069</b>	<b>1,848,837</b>	<b>62,447,098</b>	<b>14,955,038</b>	<b>186,528,141</b>	<b>184,543,788</b>
<b>Accumulated Amortization</b>										
Balance, beginning of year	-	-	(2,613,061)	(5,903,335)	(4,984,615)	(877,035)	(31,636,204)	(3,478,819)	(49,493,069)	(47,273,716)
Disposals	-	-	-	113,852	-	-	-	-	113,852	143,217
Amortization expense	-	-	(143,398)	(247,004)	(219,102)	(35,821)	(1,066,806)	(218,485)	(1,930,616)	(2,411,356)
Change in Westshore Share	-	-	-	-	-	-	-	10,476	10,474	48,786
<b>Balance, end of year</b>	<b>-</b>	<b>-</b>	<b>(2,756,459)</b>	<b>(6,036,487)</b>	<b>(5,203,717)</b>	<b>(912,856)</b>	<b>(32,703,010)</b>	<b>(3,686,828)</b>	<b>(51,299,355)</b>	<b>(49,493,069)</b>
<b>Net book value, end of year</b>	<b>249,585</b>	<b>58,515,575</b>	<b>3,064,610</b>	<b>6,495,383</b>	<b>24,955,352</b>	<b>935,981</b>	<b>29,744,088</b>	<b>11,268,210</b>	<b>135,228,786</b>	<b>135,050,719</b>

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### 8. Tangible capital assets *(continued from previous page)*

- a) Assets under construction:  
As at December 31, 2015 there was \$249,585 of assets under construction (2014 - \$404,132). No amortization has been recorded on these assets as they are not yet in productive use.
- b) Contributed tangible capital assets:  
The City was gifted two pergolas from the Royal BC Museum in 2015. These two pergolas were installed at Herm Williams Park. As an estimate of the fair value of these pergolas could not be reasonably made, these contributed assets were recognized at a nominal value equal to the cost of the materials, and transportation and installation costs totaling \$94,558 (2014 - \$0).
- c) Works of art and historical treasures:  
The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.
- d) Write-down of tangible capital assets:  
No write-down of tangible capital assets occurred during the year (2014 - \$0).
- e) West Shore:  
The City's proportionate share of West Shore assets includes land, building and equipment which are subject to amortization policies consistent with those of the City.

**City of Colwood**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

**9. Accumulated surplus**

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2015	2014
<b>Fund Surplus:</b>		
Invested in tangible capital assets (General Capital and Sewer Capital)	\$ 122,706,023	\$ 122,679,339
Operating Fund accumulated surplus (General Operating and Sewer Operating)	5,194,279	4,203,419
Internal Financing (Sewer Debt - Central LAS) - to be recovered	(235,590)	(205,818)
West Shore Parks and Recreation Society	(9,115)	68,836
Total fund surplus	127,655,597	126,745,776
<b>Reserve funds set aside for specific purposes by Council:</b>		
Police building improvements	147,059	145,649
Affordable housing	429,000	363,183
Amenities	646,167	519,551
Capital projects	590,295	629,136
Equipment replacement	1,029	1,019
RCMP surplus	242,481	240,156
Sewer capital	961,140	705,064
Future operational expense	2,127,547	2,100,049
St-John's Church	63,637	61,351
Fleet replacement - General Fund	677,931	904,717
Fleet replacement - Fire Hall	525,189	663,099
New Fire Hall	153,594	152,121
Infrastructure Deficit	302,149	152,442
Fleet replacement - Sewer Fund	171,075	120,741
Public Art	25,864	15,664
Total reserve funds	7,064,157	6,773,942
	\$ 134,719,754	\$ 133,519,718

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

### 10. Taxation

	2015	2014
General	\$ 21,531,305	\$ 21,175,039
Payments in place of taxes	2,530,301	1,985,451
Parcel taxes	535,255	762,849
1% utility taxes	184,540	184,723
	<u>24,781,401</u>	<u>24,108,062</u>
Less taxes on behalf of:		
Capital Regional District - General Operating	(1,542,258)	(1,510,195)
Capital Regional District - Sewer Operating	-	-
Capital Regional District - Septic Operating	(65,891)	(63,805)
Capital Regional Hospital District	(877,742)	(930,877)
School authorities	(6,194,387)	(6,329,637)
British Columbia Assessment Authority	(182,742)	(191,720)
Municipal Finance Authority	(592)	(597)
Victoria Regional Transit Authority	(882,425)	(910,058)
	<u>(9,746,037)</u>	<u>(9,936,889)</u>
	<u>\$ 15,035,364</u>	<u>\$ 14,171,173</u>

**City of Colwood**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

**11. Government transfers**

	2015	2014
Conditional government transfers:		
Federal:		
Gas Tax	\$ 399,662	\$ 180,429
Other	-	14,331
Natural Resources Canada	99,497	460,807
Provincial:		
Climate Action	6,351	6,513
Other	14,000	200
Infrastructure Plan	50,000	-
Other:		
Q Arena Debt Subsidy	75,138	75,138
West Shore Parks & Recreation	34,005	-
	678,653	737,418
Unconditional government transfers:		
Provincial:		
Small Communities	240,629	148,085
Traffic Fines	147,248	83,486
Casino revenue sharing	313,983	300,859
Other	1,746	12,048
West Shore Parks & Recreation	4,546	5,354
	708,152	549,832
<b>Total Government Transfers</b>	<b>\$ 1,386,805</b>	<b>\$ 1,287,250</b>

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### 12. Commitments and Contingencies:

a) Contingent liabilities:

The Capital Regional District (the "CRD") debt, under provisions of the Local Government Act, is a direct, joint, and several liability of the CRD and each member municipality within the CRD, including the City of Colwood.

The City is a shareholder and member of the Capital Region Emergency Service Telecommunications Incorporated (CREST) who provides centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service obligations to share in funding ongoing operations any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.

The City may be subject to potential repayment or non-collection of property taxes received or receivable pending resolution of property assessments appealed by taxpayers. The outcome of the appeals is not reasonably estimable and repayments or non-collections, if any, will be recorded in the period that they occur.

b) Municipal Finance Authority contingent demand notes:

Under borrowing arrangements with the MFA, the City 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 are included in the City's financial assets as restricted receivables and are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the City. At December 31, 2015 there were contingent demand notes of \$490,890 (2014 - \$490,890) which are not included in the financial statements of the City.

c) Litigation liability:

The City has been named a defendant in various lawsuits. The City records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. Remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable.

d) Commitments:

The City entered into a long-term contract with the Royal Canadian Mounted Police for the provision of police services effective April 1, 1992. Under the terms of this contract, the City is responsible for 90% of policing costs. The 2016 estimated cost of this contract is \$2,687,000 (2014 - \$2,595,000).

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

### 13. Budget

The budget data presented in these consolidated financial statements includes both operating and capital budgets. The City of Colwood budget was approved by Council on April 27, 2015 with the adoption of the 2015 - 2019 Financial Plan Bylaw No 1566, 2015. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget per the Financial Plan to the budget reported in these consolidated financial statements.

	<b>Budget</b>
<b>Revenue</b>	
Total per Colwood Five Year Financial Plan (2015)	\$ 21,924,909
Adjustments:	
West Shore Parks and Recreation Society	1,282,838
Less:	
Transfers from reserves per Colwood Five Year Financial Plan (2015)	(1,100,352)
Long term debt proceeds per Colwood Five Year Financial Plan (2015)	(2,200,000)
<b>Budgeted Revenue (per Statement of Operations)</b>	<b>19,907,395</b>
<b>Expenses and Deductions</b>	
Total per Colwood Five Year Financial Plan (2015)	\$ 21,924,909
Adjustments:	
West Shore Parks and Recreation Society	1,290,886
Less:	
Transfers to reserves per Colwood Five Year Financial Plan (2015)	(419,781)
Principal payments on debt per Colwood Five Year Financial Plan (2015)	(926,496)
Acquisition of tangible capital assets per Colwood Five Year Financial Plan (2015)	(3,820,504)
<b>Budgeted Expenses (per Statement of Operations)</b>	<b>18,049,014</b>
<b>Annual Surplus</b>	<b>\$ 1,858,381</b>

### 14. West Shore Parks and Recreation Society

#### a) Capital asset transfer:

The CRD transferred the lands and facilities comprising the Juan de Fuca Recreation Centre to the following municipal members (the "Municipalities") effective January 2, 2002. City of Langford, City of Colwood, District of Highlands, District of Metchosin and the CRD (on behalf of a portion of the Juan de Fuca electoral Area). Effective January 1, 2007, the Town of View Royal became a member of the Society.



# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### 14. West Shore Parks and Recreation Society *(continued from previous page)*

In 2002, the lands and facilities were transferred to the Municipalities in their proportionate share, as specified in the Co-Owners' Agreement. The lands and facilities were reallocated amongst the members in January 1, 2007, when the Town of View Royal became a member. Future improvements are allocated among the members as per the cost sharing formula in effect each year for each service or facility, as outlined in a Members' Agreement.

Because the cost sharing formula in the Members' Agreement produces different cost shares for the members from year-to-year, there is a gain or loss on the opening fund balances. In 2015, the City recorded a loss of \$40,136 (2014 - loss of \$207,219).

The repayment of long-term debt associated with the transferred assets will continue to be a regional function, in accordance with the terms of an Agreement to Transfer between the CRD, the Municipalities and the Society. The debt payments are charged to the Municipalities as part of the CRD's annual requisition. The proportionate share of the debt funded by the City through the requisition process as at December 31, 2015, was \$0 (2014- \$16,839).

The Municipalities have each become members in the Society, which was incorporated to provide parks, recreation and community services to the Municipalities under contract. Under terms of an Operating, Maintenance and Management Agreement, the Society is responsible to equip, maintain, manage, and operate the facilities located at the recreation centre.

#### b) Consolidation:

Financial results and budget for the Society are consolidated into the City's financial statements proportionately, based on the cost sharing formula outlined in the Members' Agreement. In 2015, the City's proportion for consolidation purposes was 22.67% (2014 - 22.76%).

**City of Colwood**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2015

**14. West Shore Parks and Recreation Society** (continued from previous page)

c) Condensed financial information for the Society as follows:

	2015	2014
Financial assets	\$ 3,414,023	2,993,912
Financial liabilities	2,422,204	2,112,249
Net financial assets	991,819	881,663
Non-financial assets	905,600	879,243
Accumulated surplus	1,897,419	1,760,906
Invested in tangible capital assets	892,651	875,645
Reserve funds	1,718,043	1,776,928
Other	(713,275)	(891,667)
	1,897,419	1,760,906
Revenues	6,433,559	5,694,277
Requisition from members	4,844,916	4,854,294
	11,278,475	10,539,571
Expenses	6,371,974	5,247,514
Requisition from members	4,844,916	4,845,294
	11,216,890	10,092,808
<b>Annual surplus</b>	<b>\$ 61,585</b>	<b>446,763</b>

**15. Change in Accounting Policy**

Effective January 1, 2015, the City adopted the recommendations in PS 3260 Liabilities for Contaminated Sites, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the City is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 1, Significant Accounting Policies.

There was no effect on the City's consolidated financial statements from adopting the above-noted change in accounting policy.

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### **16. Segmented information:**

The City is a diversified municipal organization that provides a wide range of services to its disclosed in the segmented information, along with the services they provide, which are as follows:

#### **General Government**

The General Government operations provide the functions of Corporate Administration, Finance, Information Technology, Human Resources, Legislative Services and any other functions categorized as non-departmental.

#### **Protective Services**

Protective Services is comprised of different functions, including Police Protection, Fire Protection, Emergency Preparedness and Regulatory services. The Royal Canadian Mounted Police (RCMP) provides policing services to the City. The RCMP ensures the safety of the lives and property of Colwood citizens through the enforcement of criminal laws and the laws of British Columbia, the maintenance of law and order, and the prevention of crime. 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 Emergency Preparedness program ensures that the City is both prepared and able to respond to, and recover from, the effects of a disaster or major catastrophic event. The mandate of the Regulatory Service is to promote, facilitate and enforce general compliance with the provisions of the bylaws that pertain to the health, safety and welfare of the community.

#### **Engineering and Transportation Services**

Engineering and Transportation Services is responsible for a wide variety of transportation functions such as parking, engineering operations and streets. As well as providing services around infrastructure, traffic control, transportation planning, review of land development impacts on transportation, traffic management, and pedestrian and cycling issues, on-street parking regulations, including street signs and painting as well as traffic signal timing.

#### **Environmental Health Services**

The Environmental Health Services provide the functions of Health and Welfare services, as well as various community environmental services, including the branch drop-off program, the Spring Clean-Up program, and City Park garbage collection.

#### **Environmental Development Services**

Environmental Development co-ordinates and leads efforts to enhance the City's neighbourhoods, foster arts and culture and work to create a vibrant and dynamic City. Development services provide a full range of planning services related to zoning, development permits, variance permits and current regulatory issues.

#### **Recreation, Parks and Culture**

Recreation services facilitates the provision of recreation and wellness programs and services throughout the City. Parks is responsible for the maintenance, planning and development of all park facilities such as natural ecosystems, sport and entertainment venues and playgrounds for recreational and cultural enjoyment in a safe environment. Parks is also responsible for preserving and enhancing green spaces on public lands.

#### **Sewer Utility and Enterprise Services**

The sewer utility protects the environment and human health from the impact of liquid waste generated as a result of human occupation and development in the City.

# City of Colwood

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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### **16. Segmented information:** *(continued from previous page)*

Certain allocation methodologies have been employed in the preparation of the segmented financial information. The General Fund reports on municipal services that are funded primarily by taxation such as property taxes and other tax revenues. Taxation and payments-in-lieu of taxes are apportioned to the General Fund services based on budgeted taxation revenue as presented in the 2015 - 2019 Financial Plan Bylaw No 1566.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements. The following schedule provides additional financial information for the foregoing segments.

**City of Colwood**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2015*

**16. Segmented information (continued from previous page)**

2015	General Government	Protective Services	Engineering and Transportation Services	Environmental Health Services	Environmental Development Services	Recreation, Parks and Culture	Sewer Utility and Enterprise Services	TOTAL 2015
<b>Revenue:</b>								
Taxation	2,524,023	4,327,016	3,421,428	237,576	514,157	2,731,996	1,279,168	15,035,364
User Charges Government Transfers	245,517	514,253	170,476	-	155,365	1,342,150	923,351	3,351,112
	99,497	147,248	786,190	-	-	353,870	-	1,386,805
Other	460,099	16,080	87,547	-	183,000	135,087	-	881,813
<b>Total revenue</b>	<b>3,329,136</b>	<b>5,004,597</b>	<b>4,465,641</b>	<b>237,576</b>	<b>852,522</b>	<b>4,563,103</b>	<b>2,202,519</b>	<b>20,655,094</b>
<b>Expenses:</b>								
Salaries and wages	1,711,858	2,221,311	2,277,496	173,109	577,805	193,400	233,911	7,388,890
Materials, supplies and services	1,085,378	3,290,582	930,130	143,467	107,324	3,410,088	570,322	9,537,291
Interest and other	334,373	50,276	1,188	-	-	-	172,288	558,125
Amortization	231,722	203,701	1,350,334	-	-	36,973	107,886	1,930,616
<b>Total Expenses</b>	<b>3,363,331</b>	<b>5,765,870</b>	<b>4,559,148</b>	<b>316,576</b>	<b>685,129</b>	<b>3,640,461</b>	<b>1,084,407</b>	<b>19,414,922</b>
<b>Annual surplus (deficit)</b>	<b>(34,195)</b>	<b>(755,879)</b>	<b>(89,242)</b>	<b>(78,704)</b>	<b>168,034</b>	<b>926,047</b>	<b>1,119,126</b>	<b>1,240,172</b>

**City of Colwood**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2015*

**16. Segmented information** *(continued from previous page)*

2014	General Government	Protective Services	Engineering and Transportation Services	Environmental Health Services	Environmental Development Services	Recreation, Parks and Culture	Sewer Utility and Enterprise Services	TOTAL 2014
<b>Revenue:</b>								
Taxation	2,117,303	3,980,280	3,356,882	159,480	507,978	2,604,691	1,444,559	14,171,173
User Charges	147,365	503,806	103,029	-	180,423	1,328,839	832,194	3,095,656
Government Transfers	461,007	83,486	349,759	-	-	392,998	-	1,287,250
Other	567,434	8,546	71,592	-	184,250	24,564	750	857,136
<b>Total revenue</b>	<b>3,293,109</b>	<b>4,576,118</b>	<b>3,881,262</b>	<b>159,480</b>	<b>872,651</b>	<b>4,351,092</b>	<b>2,277,503</b>	<b>19,411,215</b>
<b>Expenses:</b>								
Salaries and wages	1,850,217	2,088,498	2,217,269	80,081	525,502	175,426	179,694	7,116,687
Materials, supplies and services	407,888	3,115,523	938,513	139,359	173,460	3,317,882	367,841	8,460,466
Interest and other	334,378	30,552	2,516	-	-	-	181,286	548,732
Amortization	320,858	242,161	1,460,663	-	-	90,663	297,009	2,411,354
<b>Total Expenses</b>	<b>2,913,341</b>	<b>5,476,734</b>	<b>4,618,961</b>	<b>219,440</b>	<b>698,962</b>	<b>3,583,971</b>	<b>1,025,830</b>	<b>18,537,239</b>
<b>Annual surplus (deficit)</b>	<b>379,768</b>	<b>(900,616)</b>	<b>(737,699)</b>	<b>(59,960)</b>	<b>173,689</b>	<b>767,121</b>	<b>1,251,673</b>	<b>873,976</b>