



Consolidated Financial Statements of

CITY OF COLWOOD

Year ended December 31, 2013

CITY OF COLWOOD

Consolidated Financial Statements

Year Ended December 31, 2013

Financial Statements

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The City'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 consolidated financial statements. These systems are monitored and evaluated by management.

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

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



Chief Administrative Officer (Acting)



Chief Financial Officer

Independent Auditors' Report

To the Mayor and Council of the City of Colwood:

We have audited the accompanying consolidated financial statements of The City of Colwood, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Colwood as at December 31, 2013 the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The comparative figures were audited by another firm of chartered accountants who issued an audit opinion without reservations on June 24, 2013.

Nanaimo, British Columbia

June 26, 2014

MNP LLP

Chartered Accountants

CITY OF COLWOOD

Consolidated Statement of Financial Position

Statement A

December 31, 2013, with comparative figures for 2012

	2013	2012
Financial Assets:		
Cash and cash equivalents (note 2)	\$ 15,334,870	\$ 14,063,924
Property taxes receivable	1,816,709	1,555,621
Accounts receivable	1,128,273	1,497,934
	<u>18,279,852</u>	<u>17,117,479</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	4,495,687	4,171,092
Prepaid property taxes	216,480	192,172
Deferred Revenue (note 3)	3,753,309	4,086,979
Refundable deposits	1,323,851	1,398,818
Capital leases	1,071,814	807,138
Debt (note 4)		
Short term	2,422,634	2,422,634
Long term	10,055,293	10,856,540
	<u>23,339,068</u>	<u>23,935,373</u>
Net debt	(5,059,216)	(6,817,894)
Non-financial assets:		
Tangible capital assets (note 6)	136,475,791	136,628,031
Inventory of supplies	1,081,101	911,400
Prepaid expenses	355,285	74,719
	<u>137,912,177</u>	<u>137,614,150</u>
Accumulated surplus (note 7)	<u>\$ 132,852,961</u>	<u>\$ 130,796,256</u>

Commitments and contingencies (note 10)



Chief Administrative Officer (Acting)



Chief Financial Officer

CITY OF COLWOOD

Consolidated Statement of Operations

Statement B

Year ended December 31, 2013, with comparative information for 2012

	Budget (see note 11)	2013	2012
Revenue			
Taxation (note 8)	13,116,486	13,633,385	12,800,580
User Charges	2,717,229	3,300,191	2,709,008
Fines and penalties	326,348	265,559	247,637
Investment earnings	58,650	169,258	237,411
Unconditional government transfers (note 9)	885,797	677,736	819,072
Conditional government transfers (note 9)	2,883,933	1,495,787	1,311,082
Developer contributions	165,000	133,556	16,000
Other	32,090	132,854	1,953,530
	20,185,533	19,808,326	20,094,320
Expenses			
General government	4,155,058	3,195,614	2,800,229
Protective services	5,667,608	5,156,178	5,304,355
Engineering and transportation services	4,337,966	4,317,240	4,447,912
Community services:			
Environmental health services	210,428	188,507	206,623
Environmental and development services	564,670	530,545	509,176
Recreation and cultural services	3,217,942	3,302,623	3,626,740
Utility and enterprise services	960,000	1,048,495	1,005,346
	19,113,672	17,739,202	17,900,381
Annual surplus	1,071,861	2,069,124	2,193,939
Accumulated surplus, beginning of year	130,796,256	130,796,256	128,602,317
Loss on change in proportionate share in Westshore		(12,419)	
Accumulated surplus, end of year	131,868,117	132,852,961	130,796,256

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

CITY OF COLWOOD

Consolidated Statement of Change in Net Debt

Statement C

December 31, 2013, with comparative figures for 2012

	Budget (Note 11)	2013	2012
Annual surplus	\$ 1,071,861	\$ 2,069,124	\$ 2,193,939
Acquisition of tangible capital assets	(3,549,025)	(1,355,055)	(1,288,560)
Acquisition of leased tangible capital assets		(413,448)	(232,661)
Amortization of tangible capital assets		2,036,843	2,486,818
Gain on disposal of tangible capital assets		(30,002)	-
Change in proportionate share of West Shore		(98,518)	(613,294)
	(2,477,164)	2,208,944	2,546,242
Work in Progress		(177,564)	-
Consumption (acquisition) of inventory of supplies		7,863	21,558
Use (acquisition) of prepaid expenses		(280,565)	61,757
	-	(450,266)	83,315
Change in net financial assets (debt)	(2,477,164)	1,758,678	2,629,557
Net debt, beginning of year	(6,817,894)	(6,817,894)	(9,447,451)
Net debt, end of year	\$ (9,295,058)	\$ (5,059,216)	\$ (6,817,894)

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

CITY OF COLWOOD

Consolidated Statement of Cash Flows

Statement D

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,069,124	\$ 2,193,939
Items not involving cash:		
Amortization of tangible capital assets	2,036,843	2,486,818
Gain on disposal of tangible capital assets	(30,002)	-
Change in proportionate share of West Shore	(98,518)	(613,294)
Actuarial adjustment on debt	(78,193)	(70,902)
Change in non-cash operating assets and liabilities		
Property taxes receivables	(261,088)	(461,705)
Accounts receivable	369,661	317,648
Accounts payable and accrued liabilities	324,595	238,090
Prepaid property taxes	24,308	20,599
Deferred revenue	(333,670)	270,030
Refundable deposits	(74,967)	739,858
Work in Progress	(177,564)	-
Inventory of supplies	7,863	21,558
Prepaid expenses	(280,566)	61,757
	<u>3,497,826</u>	<u>5,204,396</u>
Capital activities:		
Acquisition of tangible capital assets	(1,355,056)	(1,288,560)
	<u>(1,355,056)</u>	<u>(1,288,560)</u>
Financing activities:		
Capital lease payments	(148,772)	(149,985)
Debt Proceeds		5,373,023
Debt Payments	(723,052)	(6,493,261)
	<u>(871,824)</u>	<u>(1,270,223)</u>
Increase in cash and cash equivalents	1,270,946	2,645,613
Cash and cash equivalents, beginning of year	14,063,924	11,418,311
Cash and cash equivalents, end of year	<u>\$ 15,334,870</u>	<u>\$ 14,063,924</u>
Supplemental cash flow information		
Cash paid for interest	\$ 537,100	\$ 523,989
Cash received from interest	109,003	108,700

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

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

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.

1. 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 ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies are as follows:

(a) 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 (see Note 12 for details).

(b) 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.

(c) Revenue recognition:

(i) Taxation

Taxation revenues are recognized in the year levied. Levies imposed by other taxing authorities (Note 8) are not included in these financial statements.

(ii) User charges

User charges, fines and penalties are recognized in the year that the service is rendered, or the amount is earned, provided the amount can be estimated and collection is reasonably assured.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

1. Significant Accounting Policies (continued):

(iii) Other revenue

Other revenue and investment earnings are recorded in the year they are earned, provided the amount can be estimated and collection is reasonably assured.

(iv) Developer contributions

Developer contributions are recorded when the event giving rise to the contribution occurs.

(d) 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.

(e) 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.

(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.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

1. Significant Accounting Policies (continued):

(g) Cash equivalents:

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

(h) Investments:

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

(i) Long-term debt:

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

(j) 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.

(k) 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.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

1. Significant Accounting Policies (continued):

(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.

(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.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

1. Significant Accounting Policies (continued):

(k) Non-financial assets (continued):

(v) Interest capitalization

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

(vii) 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.

(viii) 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.

(l) 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 provisions for accrued liabilities, performing calculations of employee future benefits and estimating the useful lives of tangible capital assets and evaluating the collectability of accounts receivable. Actual results could differ from these estimates.

(m) 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.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

2. Cash and Cash Equivalents

	2013	2012
Bank Deposits	11,227,967	10,019,976
MFA - Money Market Fund	4,106,903	4,043,949
	<hr/>	<hr/>
	15,334,870	14,063,925

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

3. Deferred revenue

	2013	2012
Building permit fees	56,000	67,899
Federal Gas Tax funds	1,309,391	1,737,209
Development cost charges	1,089,794	787,111
Cash in lieu of parklands	364,392	359,852
Provincial government grants	20,000	126,504
Sidewalk fund	274,602	274,602
Frontage	410,824	505,824
Other	55,394	123,439
West Shore Parks and Recreation	172,912	104,539
	3,753,309	4,086,979

Gas Tax

	2013	2012
Opening balance of unspent funds	1,737,209	1,597,250
Add:		
Amounts received during the year	444,522	444,706
Interest income restricted for projects	19,248	19,363
	2,200,979	2,061,319
Less: amount spent on projects and recorded as revenue	(891,588)	(324,110)
	1,309,391	1,737,209

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

4. Debt

(a) Short term debt:

Short-term debt of \$ 2,422,634 (2012 - \$2,422,634) is with the MFA and bears interest at 1.7%.

(b) Long term debt:

The City issues long-term debt instruments through the MFA. The amount payable of \$10,016,224 (2012- \$10,793,077) is net of repayments and actuarial adjustments of \$2,633,799 (2012- \$1,856,946).

Included in long term debt is the City's proportionate share of the West Shore Parks and Recreation five year fixed rate term loan for \$39,069 (2012 - \$63,463).

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

	Total
2014	723,052
2015	723,052
2016	723,052
2017	667,442
2018	667,442

(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 537,100 (2012 - \$375,335)

(f) Capital leases:

The City leases fire and rescue equipment and operations equipment. The economic substance of the leases is that the City is financing the acquisition of tangible capital assets (see Note 6). All City leases are financed through the Municipal Finance Authority.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

5. Employee Future Benefits

The City provides sick leave and other benefits to its employees.

The amounts are included in accounts payable and accrued liabilities and are as follows:

	2013	2012 restated
Accrued sick leave	\$ 242,768	\$ 230,916
Retirement benefit payments	262,128	326,244
	504,896	\$ 557,160

	2013	2012 restated
Accrued benefit obligation:		
Balance, beginning of year	557,160	373,242
Current service cost	(61,264)	151,680
Interest cost	9,000	8,730
Benefits paid		
Actuarial		23,508
Balance, end of year	\$ 504,896	\$ 557,160

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

	2013	2012
Discount rates	3.50%	3.5%-5%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2%-2.75%	2%-2.75%

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

5. Employee Future Benefits (continued)

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 pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 179,000 active members and approximately 71,000 retired members. Active members include approximately 35,000 contributions from local government with about 75 contributors from the City of Colwood.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2012 indicated an unfunded liability of \$1.37 billion for basic pension benefits. The next valuation will be as at 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 \$480,580 (2012 - \$432,105) for employer contributions.
City employees contributed \$389,845 to the Plan (2012 - \$389,284).

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 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 43,328 (2012 - \$30,337) for employer contributions and City employees paid \$43,328 (2012 - \$30,337) to the plan in 2013.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

	Land	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Westshore	Park and Land Improvements	Road Infrastructure	Total 2013	Total 2012
6. Tangible capital assets									
2013									
Cost									
Balance, beginning of year	58,518,410	5,654,562	9,458,412	30,159,069	15,174,548	1,701,413	61,547,180	182,213,594	179,950,490
Additions	-	-	1,147,776	-	-	26,193	594,534	1,768,503	1,521,221
Disposals	-	-	(318,668)	-	-	-	-	(318,668)	(21,497)
Change in Westshore Share	-	-	-	-	86,098	-	-	86,098	763,379
Balance, end of year	58,518,410	5,654,562	10,287,520	30,159,069	15,260,646	1,727,606	62,141,714	183,749,527	182,213,593
Accumulated Amortization									
Balance, beginning of year	-	(2,323,389)	(5,522,977)	(4,300,959)	(3,287,166)	(718,531)	(29,432,541)	(45,585,563)	(42,970,156)
Disposals	-	0	318,668	0	30,002	0	0	348,670	21,497
Amortization expense	-	(142,580)	(354,958)	(317,514)	(50,565)	(67,683)	(1,103,543)	(2,036,843)	(2,486,818)
Change in Westshore Share	-	-	-	-	-	-	-	-	(150,085)
Balance, end of year	-	(2,465,969)	(5,559,267)	(4,618,473)	(3,307,729)	(786,214)	(30,536,084)	(47,273,736)	(45,585,562)
Net book value, end of year	58,518,410	3,188,593	4,728,253	25,540,596	11,952,917	941,392	31,605,630	136,475,791	136,628,031

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

6. Tangible capital assets

(a) Assets under construction:

As at December 31, 2013 there was \$177,564 of assets under construction (2012 - \$0). No amortization has been recorded on these assets as they are not yet in productive use

(b) Contributed tangible capital assets:

There were no contributed assets recognized during the year.

(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.

(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 Consolidated Financial Statements

Year ended December 31, 2013

7. Accumulated Surplus

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

	2013	2012
Surplus:		
Invested in tangible capital assets	122,965,119	122,541,719
Other	3,385,519	2,084,946
Total surplus	126,350,638	124,626,665
Reserves set aside by Council:		
Westshore	207,017	367,950
Future sewer contingencies	(169,161)	(183,800)
Total reserves	37,856	184,150
Reserve funds set aside for specific purposes by Council:		
Police building improvements	143,945	142,142
Affordable housing	309,766	208,684
Amenities	529,668	756,065
Capital projects	922,372	865,361
Equipment replacement	1,007	374,344
RCMP surplus	237,346	840,171
Sewer capital	660,206	486,298
Future operational expense	2,152,898	2,312,372
St-John's Church	35,351	-
Fleet replacement - Operations	663,237	-
Fleet replacement - Fire Hall	399,367	-
New Firehall	100,634	-
Infrastructure Deficit	100,951	-
Fleet replacement -utilities	198,662	-
Public Art	9,057	-
Total reserve funds	6,464,467	5,985,437
	132,852,961	130,796,252

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

8. Taxes

	2013	2012
General	20,283,314	19,790,560
Payments in place of taxes	1,871,374	1,603,525
Special assessments - sewer	746,012	864,421
1% utility taxes	185,087	177,015
	<u>23,085,787</u>	<u>22,435,521</u>
Less taxes on behalf of:		
Capital Regional District - General Operating	1,034,315	1,167,502
Capital Regional District - Sewer Operating	146,686	59,738
Capital Regional Hospital District	907,290	914,985
School authorities	6,307,137	6,477,002
British Columbia Assessment Authority	193,304	199,887
Municipal Finance Authority	606	633
Victoria Regional Transit Authority	863,064	815,194
	<u>9,452,402</u>	<u>9,634,941</u>
	<u>13,633,385</u>	<u>12,800,580</u>

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

9. Government Transfers:

The Government transfers reported on the consolidated statement of operations are:

	2013	2012
Conditional transfers:		
Federal - West Shore Parks and Recreation Society	\$9,859	\$51,726
Federal - Other	11,400	
Provincial:		
Natural Resources Canada	298,164	507,841
Other	21,049	255,827
Federal gas tax	891,588	324,110
Local Motion Grant	106,504	0
Other:		
Bear Mountain Arena	171,578	171,578
	<u>1,510,142</u>	<u>1,311,082</u>
Unconditional:		
Provincial:		
Small Communities	106,559	318,827
Traffic Fines	125,624	170,362
Casino revenue sharing	326,704	329,798
Other	104,493	85
	<u>663,380</u>	<u>819,072</u>
Total Revenue	\$2,173,522	\$2,130,154

10. 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.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

10. Commitments and Contingencies (continued):

(a) Contingent liabilities (continued):

The City is a shareholder and member of the Capital Region Emergency Service Telecommunications (CREST) Incorporated 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 cap 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 note and interest bearing cash deposits based on the amount of the borrowing. As a condition of these borrowing 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, 2013 there were contingent demand notes of \$490,890 (2012 - \$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 2014 estimated cost of this contract is \$2,549,556 (2013 estimate - \$2,508,002). RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members. These proceedings are still in progress. As the final outcome of the legal action, and the potential financial impact to the City is not determinable, the City has not recorded any provision for this matter in the financial statements as at December 31, 2013.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

11: Budget Data:

The budget data presented in these consolidated financial statements is based upon the 2013 operating and capital budgets approved by Council on April 8, 2013. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Operating	Sewer	Total
Revenue			
Total per Five Year Financial Plan (2013)	20,044,543	4,241,774	24,286,317
Westshore	1,216,433		1,216,433
Less: Transfers from own funds	(2,808,900)	(260,607)	(3,069,507)
Debt issue for Phase 6/7 expansion (2013)		(2,145,000)	(2,145,000)
Deferred revenue	103,338		103,338
CRD Sewer Debt	(211,518)		(211,518)
Other	5,470		5,470
Total Revenue	18,349,366	1,836,167	20,185,533
Expenses			
Total per Five Year Financial Plan (2013)	17,746,841	1,986,774	19,733,615
Westshore	1,133,548		1,133,548
General Capital	1,294,025	2,255,000	3,549,025
Supplemental Summary	971,176		971,176
Variance	32,501		32,501
Total	21,178,091	4,241,774	25,419,865
Less: Debt principal payments	(390,956)	(495,534)	(886,490)
Transfers to own funds	(1,489,294)	(226,174)	(1,715,468)
Capital Expenses	(1,346,525)	(2,255,000)	(3,601,525)
Deferred revenue	103,338		103,338
CRD Sewer Debt	(211,518)		(211,518)
Other	5,470		5,470
Total Expenditures	17,848,606	1,265,066	19,113,672
Annual Surplus	500,760	571,101	1,071,861

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

12. 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.

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 on 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. For 2013, the City's share of improvements purchased by the Society on its behalf is \$2,494.

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 2013, the City recorded a gain of \$98,518 (2012 - gain of \$613,294).

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 maturity dates of the various borrowings range from 2013 through 2014. The proportionate share of the debt funded by the City through the requisition process as at December 31, 2013 was \$39,069 (2012 - \$320,000).

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 2013, the City's proportion for consolidation purposes was 23.19% (2012 - 24.1%).

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

13. Segmented information:

The City is a diversified municipal organization that provides a wide range of services to its citizens. Certain segments that have different governance and responsibility have been separately 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, Human Resources, Legislative Services and any other functions categorized as non-departmental.

Protective Services

Protective Services is comprised of four 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, providing services around infrastructure, traffic control, transportation planning, review of land development impacts on transportation, traffic management, pedestrian and cycling issues, on-street parking regulations, including street signs and painting as well as traffic signal timing.

Community and Development Services

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. Community 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.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

12. West Shore Parks and Recreation Society (continued):

(b) Consolidation (continued):

Condensed financial information for the Society as follows:

	2013	2012
Financial assets	\$ 2,993,912	\$ 2,219,968
Financial liabilities	2,112,249	1,658,182
Net financial assets	881,663	561,786
Non-financial assets	879,243	752,357
Accumulated surplus	1,760,906	1,314,143
Invested in tangible capital assets	875,645	738,913
Reserve funds	1,776,928	1,524,044
Other	(891,667)	(948,814)
	1,760,906	1,314,143
Revenues	5,632,370	5,424,178
Requisition from members	4,907,201	4,698,024
	10,539,571	10,122,202
Expenses	5,185,607	5,122,847
Requisition from members	4,907,201	4,698,024
	10,092,808	9,820,871
Annual surplus (deficit)	446,763	301,331

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2013

13. Segmented information (continued):

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.

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 2013-2017 consolidated financial plan.

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 Consolidated Financial Statements (continued)
 Year ended December 31, 2013

13. Segmented Disclosure

	A	B	C	D	E	
	General Government	Protective Services	Engineering and Transportation Services	Community and Development Services	Utility and Enterprise Services	TOTAL
Revenue:						
10 Taxation	2,710,940	4,343,220	3,636,555	2,343,344	599,326	13,633,385
11 User charges	162,263	464,768	243,642	1,413,032	1,016,486	3,300,191
12 Government transfers	-	125,624	1,861,765	186,134	-	2,173,523
13 Gain/Loss disposal capital assets	132,854	-	-	-	-	132,854
14 Other	241,760	193,057	33,556	99,000	1,000	568,373
Total revenue	3,247,817	5,126,669	5,775,518	4,041,510	1,616,812	19,808,326
Expenses:						
20 Salaries and wages	1,773,172	2,015,265	2,068,006	1,421,790	107,411	7,385,644
21 Materials, supplies and services	968,874	2,796,961	800,972	2,143,844	481,674	7,192,325
22 Interest and other	364,594	132,722	25,720	313,885	236,903	1,073,824
23 Amortization	111,730	211,230	1,422,542	119,400	222,507	2,087,409
Total expenses	3,218,370	5,156,178	4,317,240	3,998,919	1,048,495	17,739,202
Annual surplus (deficit)	29,447	(29,509)	1,458,278	42,591	568,317	2,069,124

CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)
Year ended December 31, 2012

13. Segmented Disclosure

	A	B	C	D	E	
	General Government	Protective Services	Engineering and Transportation Services	Community and Development Services	Utility and Enterprise Services	TOTAL
Revenue:						
10 Taxation	2,181,476	4,131,643	3,464,861	2,239,461	783,139	12,800,580
11 User charges	94,237	244,766	112,162	1,330,425	927,418	2,709,008
12 Government transfers	-	170,362	1,736,205	223,587	-	2,130,154
13 Gain/Loss disposal capital assets	-	-	-	-	-	-
14 Other	1,661,066	10,373	118,074	664,395	670	2,454,578
Total revenue	3,936,779	4,557,144	5,431,302	4,457,868	1,711,227	20,094,320
Expenses:						
20 Salaries and wages	1,365,607	1,929,583	1,945,734	696,296	218,044	6,155,264
21 Materials, supplies and services	1,127,758	3,107,730	699,583	3,314,449	452,990	8,702,510
22 Interest and other	213,192	56,409	165,891	-	120,297	555,789
23 Amortization	93,672	210,633	1,636,704	331,794	214,015	2,486,818
Total expenses	2,800,229	5,304,355	4,447,912	4,342,539	1,005,346	17,900,381
Annual surplus (deficit)	1,136,550	(747,211)	983,390	115,329	705,881	2,193,939