

Consolidated Financial Statements of

**CITY OF COLWOOD**

Year ended December 31, 2012

# CITY OF COLWOOD

## Consolidated Financial Statements

Year ended December 31, 2012

### 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 for local governments 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 statements 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 KPMG 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*

  
\_\_\_\_\_  
*Director of Finance*



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## INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors 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, 2012, the consolidated statements of operations, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Colwood as at December 31, 2012, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

June 24, 2013  
Victoria, Canada

# CITY OF COLWOOD


## Consolidated Statement of Financial Position

December 31, 2012, with comparative information for 2011

	2012	2011
<b>Financial assets:</b>		
Cash and cash equivalents (note 2)	\$ 14,063,924	\$ 11,418,311
Property taxes receivable	1,555,621	1,093,916
Accounts receivable	1,497,934	1,815,582
	<u>17,117,479</u>	<u>14,327,809</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	4,171,092	3,933,002
Prepaid property taxes	192,172	171,573
Deferred revenue (note 3)	4,086,979	3,816,949
Refundable deposits	1,398,818	658,960
Capital leases	807,138	724,462
Debt (note 4):		
Short-term	2,422,634	8,488,721
Long-term	10,856,540	5,981,593
	<u>23,935,373</u>	<u>23,775,260</u>
Net debt	(6,817,894)	(9,447,451)
<b>Non-financial assets:</b>		
Tangible capital assets (note 6)	136,628,031	136,980,334
Inventory of supplies	911,400	932,958
Prepaid expenses	74,719	136,476
	<u>137,614,150</u>	<u>138,049,768</u>
<b>Accumulated surplus</b> (note 7)	<u>\$ 130,796,256</u>	<u>\$ 128,602,317</u>

Commitments and contingencies (note 10)

  
\_\_\_\_\_  
Chief Administrative Officer

  
\_\_\_\_\_  
Director of Finance

# CITY OF COLWOOD

## Consolidated Statement of Operations

Year ended December 31, 2012, with comparative information for 2011

	Budget (unaudited - note 11)	2012	2011
Revenue:			
Taxation, net (note 8)	\$ 12,787,562	\$ 12,800,580	\$ 12,497,584
User charges	3,016,154	2,709,008	2,624,346
Fines and penalties	222,060	247,637	220,683
Investment earnings	57,500	237,411	146,069
Unconditional government transfers (note 9)	839,016	819,072	868,856
Conditional government transfers (note 9)	2,446,278	1,311,082	566,776
Developer contributions	137,000	16,000	448,500
Other	-	1,953,530	(152,130)
Total revenue	19,505,570	20,094,320	17,220,684
Expenses:			
General government	4,212,472	2,800,229	3,537,668
Protective services	5,453,686	5,304,355	4,731,684
Engineering and transportation services	3,426,604	4,447,912	4,325,126
Community services:			
Environmental health services	164,300	206,623	161,171
Environmental and development services	548,754	509,176	413,831
Recreation and cultural services	3,248,994	3,626,740	3,509,137
Utility and enterprise services	1,216,511	1,005,346	1,096,203
Total expenses	18,271,321	17,900,381	17,774,820
Annual surplus (deficit)	1,234,249	2,193,939	(554,136)
Accumulated surplus, beginning of year	128,602,317	128,602,317	129,156,453
Accumulated surplus, end of year	\$ 129,836,566	\$ 130,796,256	\$ 128,602,317

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

# CITY OF COLWOOD

## Consolidated Statement of Change in Net Debt

Year ended December 31, 2012, with comparative information for 2011

	Budget (unaudited - note 11)	2012	2011
Annual surplus (deficit)	\$ 1,234,249	\$ 2,193,939	\$ (554,136)
Acquisition of tangible capital assets	(3,398,000)	(1,288,560)	(1,205,794)
Acquisition of leased tangible capital assets	-	(232,661)	-
Amortization of tangible capital assets	-	2,486,818	2,541,878
Loss on disposal of tangible capital assets	-	-	4,616
Change in proportionate share of West Shore	-	(613,294)	599,290
	(2,163,751)	2,546,242	1,385,854
Consumption of inventory of supplies	-	21,558	29,463
Use (acquisition) of prepaid expenses	-	61,757	(21,459)
	-	83,315	8,004
Change in net financial assets (debt)	(2,163,751)	2,629,557	1,393,858
Net debt, beginning of year	(9,447,451)	(9,447,451)	(10,841,309)
Net debt, end of year	\$ (11,611,202)	\$ (6,817,894)	\$ (9,447,451)

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

# CITY OF COLWOOD

## Consolidated Statement of Cash Flows

Year ended December 31, 2012, with comparative information for 2011

	2012	2011
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus (deficit)	\$ 2,193,939	\$ (554,136)
Items not involving cash:		
Amortization of tangible capital assets	2,486,818	2,541,878
Loss on disposal of tangible capital assets	-	4,616
Change in proportionate share of West Shore	(613,294)	599,290
Actuarial adjustment on debt	(70,902)	(52,294)
Changes in non-cash operating assets and liabilities:		
Property taxes receivable	(461,705)	138,039
Accounts receivable	317,648	267,697
Accounts payable and accrued liabilities	238,090	11,999
Prepaid property taxes	20,599	46,130
Deferred revenue	270,030	670,111
Refundable deposits	739,858	106,275
Inventory of supplies	21,558	29,463
Prepaid expenses	61,757	(21,459)
	5,204,396	3,787,609
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(1,288,560)	(1,205,794)
	(1,288,560)	(1,205,794)
<b>Financing activities:</b>		
Capital lease payments	(149,985)	(117,738)
Debt proceeds	5,373,023	-
Debt payments	(6,493,261)	(1,336,581)
	(1,270,223)	(1,454,319)
Increase in cash and cash equivalents	2,645,613	1,127,496
Cash and cash equivalents, beginning of year	11,418,311	10,290,815
Cash and cash equivalents, end of year	\$ 14,063,924	\$ 11,418,311
Supplemental cash flow information:		
Cash paid for interest	\$ 523,989	\$ 474,487
Cash received from interest	108,700	111,353

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



# CITY OF COLWOOD

## Notes to Consolidated Financial Statements

Year ended December 31, 2012

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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 for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the City 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.

(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) Government transfers:

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Transfers received for which expenses are not yet incurred are included in deferred revenue.

(d) Deferred revenue:

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

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 1. Significant accounting policies (continued):

(d) Deferred revenue (continued):

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.

(e) 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.

(f) 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.

(g) 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.

(h) Long-term debt:

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

(i) 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 actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 1. Significant accounting policies (continued):

(j) Non-financial assets:

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

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - 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

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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 (continued)

Year ended December 31, 2012

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## 1. Significant accounting policies (continued):

(j) 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.

(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.

(k) Use of estimates:

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

## 2. Cash and cash equivalents:

	2012	2011
Bank deposits	\$ 10,019,976	\$ 6,670,190
MFA - Money Market Fund	4,043,948	4,748,121
Total	\$ 14,063,924	\$ 11,418,311

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

### 3. Deferred revenue:

Deferred revenue, reported on the consolidated statement of financial position, is comprised of the following:

	2012	2011
Building permit fees	\$ 67,900	\$ 29,000
Federal Gas Tax funds	1,737,207	1,597,250
Development cost charges	787,111	528,647
Cash in lieu of parklands	359,852	313,528
Provincial government grants	126,504	376,789
West Shore	104,539	90,809
Sidewalk fund	274,602	274,602
Frontage	505,824	505,824
Other	123,440	100,500
<b>Total deferred revenue</b>	<b>\$ 4,086,979</b>	<b>\$ 3,816,949</b>

Gas tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the City and the Union of British Columbia Municipalities. Gas tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

	2012	2011
Opening balance of unspent funds	\$ 1,597,250	\$ 1,143,002
Add:		
Amounts received during the year	444,706	444,706
Interest income restricted for projects	19,361	14,542
	464,067	459,248
Less amount spent on projects and recorded as revenue	(324,110)	(5,000)
<b>Closing balance of unspent funds</b>	<b>\$ 1,737,207</b>	<b>\$ 1,597,250</b>

### 4. Debt:

#### (a) Short-term debt:

Short-term debt of \$2,422,634 (2011 - \$8,488,721) is with the MFA and bears interest at 1.73%.

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 4. Debt (continued):

### (b) Long-term debt:

The City issues long-term debt instruments through the MFA. The amount payable of \$10,793,077 (2011 - \$5,879,604) is net of repayments and actuarial adjustments of \$1,856,946 (2011 - \$1,397,447).

Included in long-term debt is the City's proportionate share of a West Shore five year fixed rate term loan for \$63,463 (2011 - \$101,989).

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

	Total
2013	\$ 723,052
2014	723,052
2015	723,052
2016	723,052
2017	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 \$375,335 (2011 - \$466,792).

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 5. Employee future benefit obligations:

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:

	2012	2011
Accrued sick leave	\$ 230,916	\$ 186,217
Retirement benefit payments	214,308	187,025
	<b>\$ 445,224</b>	<b>\$ 373,242</b>

Accumulated sick leave represents the liability for sick leave banks accumulated for estimated draw down at future dates.

Retirement benefit payments represent the City's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments.

The amount recorded for these benefits is based on an actuarial evaluation performed by the City using a projected benefit actuarial valuation method pro-rated on services. This evaluation is reviewed on a periodic basis.

	2012	2011
Accrued benefit obligation:		
Balance, beginning of year	\$ 373,242	\$ 380,204
Current service cost	39,744	32,886
Interest cost	8,730	7,325
Benefits paid	-	(47,173)
Actuarial	23,508	-
Balance, end of year	<b>\$ 445,224</b>	<b>\$ 373,242</b>

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

	2012	2011
Discount rates	3.50 - 5.00 %	5.00 %
Expected future inflation rates	2.50 %	2.50 %
Expected wage and salary increases	2.00 - 2.75 %	2.00 %

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 5. Employee future benefit obligations (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 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local government.

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, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012, with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The City paid \$432,105 (2011 - \$382,926) for employer contributions to the plan in fiscal 2012.

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

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employees representing a number of CUPE locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. Employers and 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. At December 31, 2012, the total plan provision for approved and unreported claims was \$16,019,500 with a net deficit of \$4,097,874. The City paid \$30,337 (2011 - \$19,960) for employer contributions and City employees paid \$30,337 (2011 - \$19,960) for employee contributions to the plan in fiscal 2012.



# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 6. Tangible capital assets:

	Land	Building and building improvements	Vehicles, machinery and equipment	Water and wastewater infrastructure	West Shore	Parks and land improvements	Roads infrastructure	Total 2011	Total 2012
<b>Cost:</b>									
Balance, beginning of year	\$58,518,410	5,571,245	8,956,125	29,907,647	14,364,409	1,085,474	61,547,180	\$179,950,490	\$179,491,698
Additions	-	83,317	523,784	251,422	46,760	615,938	-	1,521,221	1,205,794
Disposals	-	-	(21,497)	-	-	-	-	(21,497)	(9,289)
Change in West Shore share	-	-	-	-	763,379	-	-	763,379	(737,713)
Balance, end of year	58,518,410	5,654,562	9,458,412	30,159,069	15,174,548	1,701,412	61,547,180	182,213,593	179,950,490
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	2,177,599	5,162,357	3,983,427	2,863,388	661,583	28,121,802	42,970,156	40,571,374
Disposals	-	-	(21,497)	-	-	-	-	(21,497)	(4,673)
Amortization	-	145,789	382,117	317,532	273,693	56,948	1,310,739	2,486,818	2,541,878
Change in West Shore share	-	-	-	-	150,085	-	-	150,085	(138,423)
Balance, end of year	-	2,323,388	5,522,977	4,300,959	3,287,166	718,531	29,432,541	45,585,562	42,970,156
<b>Net book value, end of year</b>	<b>\$58,518,410</b>	<b>3,331,174</b>	<b>3,935,435</b>	<b>25,858,110</b>	<b>11,887,382</b>	<b>982,881</b>	<b>32,114,639</b>	<b>\$136,628,031</b>	<b>\$136,980,334</b>

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 6. Tangible capital assets (continued):

(a) Assets under construction:

There were no assets under construction at year end.

(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, buildings and equipment which are subject to amortization policies consistent with those of the City.

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 7. Accumulated surplus:

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

	2012	2011
<b>Surplus:</b>		
Invested in tangible capital assets	\$122,541,719	\$121,785,558
Other	2,084,946	2,681,046
Total surplus	124,626,665	124,466,604
<b>Reserves set aside by Council:</b>		
Future sewer contingencies	(183,800)	(181,497)
West Shore	367,950	286,334
Total reserve funds	184,150	104,837
<b>Reserve funds set aside for specific purposes by Council:</b>		
Police building improvements	142,142	140,529
Affordable housing	208,684	203,830
Amenities	756,065	743,565
Capital projects	865,361	854,459
Equipment replacement	374,344	309,339
RCMP surplus	840,171	729,616
Sewer capital	486,298	506,120
Future operational expense	2,312,372	543,328
Total reserve funds	5,985,437	4,030,876
	\$130,796,252	\$128,602,317

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 8. Taxation:

Taxation revenue, reported on the consolidated statement of operations, is comprised of the following:

	2012	2011
General	\$ 19,790,560	\$ 19,280,914
Payments in place of taxes	1,603,525	1,505,250
Special assessments - sewer	864,421	1,020,985
1% utility taxes	177,015	169,910
	<u>22,435,521</u>	<u>21,977,059</u>
Less taxes levied for other authorities:		
Capital Regional District - General Operating	1,167,502	931,967
Capital Regional District - Sewer Operating	59,738	56,496
Capital Regional Hospital District	914,985	918,745
School Authorities	6,477,002	6,541,256
BC Assessment Authority	199,887	210,012
Municipal Finance Authority	633	643
Victoria Regional Transit Authority	815,194	820,356
	<u>9,634,941</u>	<u>9,479,475</u>
	<u>\$ 12,800,580</u>	<u>\$ 12,497,584</u>

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 9. Government transfers:

The City recognizes the transfer of government funding as revenue or expense in the period that the events giving rise to the transfer occurred. The Government transfers reported on the consolidated statement of operations are:

	2012	2011
Conditional transfers:		
Federal - West Shore Parks and Recreation Society	\$ 51,726	\$ 90,281
Provincial:		
Natural Resources Canada	507,841	286,830
Other	255,827	3,087
Energy and emissions	-	10,000
Federal gas tax	324,110	5,000
Other:		
Bear Mountain Arena	171,578	171,578
	<u>1,311,082</u>	<u>566,776</u>
Unconditional:		
Provincial:		
Small communities	318,827	316,090
Traffic fines	170,362	202,479
Casino revenue sharing	329,798	337,102
Other	85	13,185
	<u>819,072</u>	<u>868,856</u>
Total revenue	<u>\$ 2,130,154</u>	<u>\$ 1,435,632</u>

## 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 (continued)

Year ended December 31, 2012

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## 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 organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a *Members' Agreement*.

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, 2012 there were contingent demand notes of \$490,890 (2011 - \$306,160) 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.

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 10. Commitments and contingencies (continued):

### (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 20112 estimated cost of this contract is \$2,508,002 (2011 - \$2,214,717). RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members. 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, 2012.

## 11. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2012 operating and capital budgets approved by Council on May 14, 2012. 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.

	Budget amount
Revenue:	
City	\$ 21,427,515
West Shore	1,317,299
Less:	
Transfers from own funds	(939,244)
Proceeds on debt issue	(2,300,000)
Total revenue	19,505,570
Expenses:	
City	21,427,515
West Shore	1,405,030
Less:	
Capital expenditures	(3,398,000)
Transfer to own funds	(275,000)
Debt principal payments	(888,224)
Total expenses	18,271,321
Annual surplus	\$ 1,234,249

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 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 2012, the City's share of improvements purchased by the Society on its behalf is \$10,576.

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 2012, the City recorded a gain of \$613,294 (2011 - loss of \$599,290).

The repayment of the 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, 2012 was \$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 2012, the City's proportion for consolidation purposes was 24.1% (2011 - 22.9%).



# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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

(b) Consolidation (continued):

Condensed financial information for the Society is as follows:

	2012	2011
Financial assets	\$ 2,219,968	\$ 2,099,082
Financial liabilities	1,658,182	1,850,172
Net financial assets	561,786	248,910
Non-financial assets	752,357	763,902
Accumulated surplus	\$ 1,314,143	\$ 1,012,812
Invested in tangible capital assets	\$ 738,913	\$ 753,692
Reserve funds	1,524,044	1,248,963
Other	(948,814)	(989,843)
	\$ 1,314,143	\$ 1,012,812
Revenues	\$ 5,424,178	\$ 5,480,808
Requisition from members	4,698,024	4,453,952
	10,122,202	9,934,760
Expenses	5,122,847	5,867,895
Requisition for members	4,698,024	4,453,952
	9,820,871	10,321,847
Annual surplus (deficit)	\$ 301,331	\$ (387,087)

## 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.

# CITY OF COLWOOD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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## 13. Segmented information (continued):

### **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.

### **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 Consolidated Financial Statements (continued)

Year ended December 31, 2012

## 13. Segmented information (continued):

2011	General Government	Engineering and Transportation Services			Community Development Services	Utility and Enterprise Services	Total
		Protective Services	and	Services			
<b>Revenue:</b>							
Taxation	\$ 2,377,040	\$ 3,828,010	\$ 3,499,324	\$ 2,048,354	\$ 744,856	\$ 12,497,584	
User charges	96,804	355,150	75,571	1,248,349	831,295	2,607,169	
Government transfers	-	202,479	957,709	275,444	-	1,435,632	
Other	461,925	21,549	514,568	(317,743)	-	680,299	
Total revenue	2,935,769	4,407,188	5,047,172	3,254,404	1,576,151	17,220,684	
<b>Expenses:</b>							
Salaries and wages	1,274,747	1,775,538	1,822,447	572,051	84,681	5,529,464	
Materials, supplies and services	1,898,323	2,698,903	609,951	3,219,099	646,488	9,072,764	
Interest and other	268,673	50,775	153,909	-	157,357	630,714	
Amortization	95,925	206,468	1,738,819	292,989	207,677	2,541,878	
Total expenses	3,537,668	4,731,684	4,325,126	4,084,139	1,096,203	17,774,820	
Annual surplus (deficit)	\$ (601,899)	\$ (324,496)	\$ 722,046	\$ (829,735)	\$ 479,948	\$ (554,136)	