



Consolidated Financial Statements of
CITY OF COLWOOD
Year Ended December 31, 2016

CITY OF COLWOOD
CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

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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.

April 24, 2017



Ian Howat
Chief Administrative Officer



Andrea deBucy
Director of Finance

Independent Auditor's Report

To the Mayor and Council of 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, 2016, and the consolidated statements of operations, change in net financial assets (net debt) and cash flows 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 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.

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, 2016 and the results of its operations, changes in its net financial assets (net debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Nanaimo, British Columbia

April 24, 2017

MNP LLP

Chartered Professional Accountants

CITY OF COLWOOD
Consolidated Statement of Financial Position

Statement A

As at December 31, 2016

	2016	2015
		(Restated - Note 15)
Financial Assets:		
Cash and cash equivalents (Note 3)	\$ 27,237,943	\$ 20,433,353
Property taxes receivable	562,416	754,615
Accounts receivable	1,224,172	1,387,581
	29,024,531	22,575,549
Financial Liabilities:		
Accounts payable and accrued liabilities (Note 4)	4,193,438	4,501,943
Prepaid property taxes	279,600	218,999
Deferred revenue (Note 5)	6,715,635	5,353,707
Refundable deposits	2,944,830	1,707,218
Capital leases	-	2,114,724
Short-term debt (Note 6)	-	2,100,816
Long-term debt (Note 6)	11,900,560	8,307,221
Equipment financing (Note 6)	2,017,866	-
	28,051,929	24,304,628
Net Financial Assets (Net Debt)	972,602	(1,729,079)
Commitments and Contingencies (Note 11)		
Non-financial assets:		
Tangible capital assets (Note 7)	141,309,769	142,300,692
Inventory of supplies	850,065	864,180
Prepaid expenses	109,210	355,866
	142,269,044	143,520,738
Accumulated surplus (Note 8)	\$ 143,241,646	\$ 141,791,659

Approved on behalf of the City


 Chief Administrative Officer


 Director of Finance

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, 2016

	Budget		2016		2015
	(Note 12)			(Restated - Note 15)	
Revenue					
Taxation (Note 9)	\$ 15,639,495	\$	15,525,765	\$	15,035,365
User charges	3,157,471		3,244,275		3,268,310
Fines and penalties	51,199		128,230		158,520
Investment earnings	40,000		350,611		282,379
Unconditional government transfers (Note 10)	679,442		722,738		708,152
Conditional government transfers (Note 10)	1,627,388		590,032		737,558
Developer contributions	599,868		1,388,022		6,382,505
Other	33,142		87,121		216,500
	21,828,005		22,036,794		26,789,289
Expenses					
General government	\$ 2,827,194	\$	2,690,774	\$	2,929,318
Protective services	6,241,546		6,410,975		5,768,378
Engineering and transportation services	3,661,848		5,021,358		4,794,976
Solid waste management	202,310		184,941		198,942
Planning and development services	889,313		770,432		685,129
Recreation, parks and culture	4,027,767		4,203,135		4,036,041
Sewer services	762,735		1,148,091		1,091,146
	18,612,713		20,429,706		19,503,930
Annual surplus from City operations	3,215,292		1,607,088		7,285,359
Loss on change in proportionate share of Westshore Parks and Recreation Society	-		(157,101)		(49,578)
Annual surplus	3,215,292		1,449,987		7,235,781
Accumulated surplus, beginning of year	141,791,659		141,791,659		134,555,878
Accumulated surplus, end of year	\$ 145,006,951	\$	143,241,646	\$	141,791,659

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

CITY OF COLWOOD

Consolidated Statement of Change in Net Financial Assets (Net Debt)

Statement C

As at December 31, 2016

	Budget (Note 12)	2,016	2015 (Restated - Note 15)
Annual surplus	\$ 3,215,292	\$ 1,449,987	\$ 7,235,781
Acquisition of tangible capital assets (purchased)	(4,683,285)	(1,187,947)	(811,095)
Acquisition of tangible capital assets (leased)	-	-	(1,350,000)
Acquisition of tangible capital assets (contributed)	-	(558,215)	(6,134,193)
Amortization of tangible capital assets	-	2,555,835	2,029,063
Loss (Gain) on disposal of tangible capital assets	-	49	(45,695)
Proceeds on disposal of tangible capital assets	-	24,101	48,530
Loss on change in proportionate share of Westshore Parks and Recreation Society	-	157,101	49,578
	<u>(1,467,993)</u>	<u>2,440,911</u>	<u>1,021,969</u>
Consumption of inventory of supplies	-	14,114	12,105
Use (acquisition) of prepaid expenses	-	246,656	(7,854)
	<u>-</u>	<u>260,770</u>	<u>4,251</u>
Change in net financial assets (net debt)	(1,467,993)	2,701,681	1,026,220
Net debt, beginning of year	(1,729,079)	(1,729,079)	(2,755,299)
Net financial assets (Net debt), end of year	\$ (3,197,072)	\$ 972,602	\$ (1,729,079)

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, 2016

	2016	2015
	(Restated - Note 15)	
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,449,987	\$ 7,235,781
Items not involving cash:		
Amortization of tangible capital assets	2,555,835	2,029,063
Loss/(Gain) on disposal of tangible capital assets	49	(45,695)
Actuarial adjustment on debt	(200,689)	(152,602)
Loss on change in proportionate share of Westshore Parks and Recreation Society	157,101	49,578
Developer contributions	(558,215)	(6,134,193)
Change in non-cash operating assets and liabilities		
Property taxes receivables	192,199	297,131
Accounts receivable	163,409	33,819
Accounts payable and accrued liabilities	(308,504)	404,152
Prepaid property taxes	60,601	(67,989)
Deferred revenue	1,361,929	679,767
Refundable deposits	1,237,612	(20,515)
Inventory of supplies	14,114	12,104
Prepaid expenses	246,656	(7,854)
	6,372,084	4,312,547
Investing activities:		
Acquisition of tangible capital assets (purchased)	(1,187,947)	(811,095)
Proceeds on disposal of tangible capital assets	24,101	48,530
	(1,163,846)	(762,565)
Financing activities:		
Debt proceeds	2,400,184	-
Capital lease payments	(96,858)	(310,032)
Debt Payments	(706,974)	(739,894)
	1,596,352	(1,049,926)
Increase in cash and cash equivalents	6,804,590	2,500,056
Cash and cash equivalents, beginning of year	20,433,353	17,933,297
Cash and cash equivalents, end of year	\$ 27,237,943	\$ 20,433,353
Supplemental cash flow information		
Cash paid for interest	\$ 573,107	\$ 545,801
Cash received from interest	\$ 149,921	\$ 129,778

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, 2016

1. General

City of Colwood (the "City") is a municipality in the Province of British Columbia incorporated on June 24, 1985 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, 2016

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 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, 2016

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. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the City is responsible for. Developer contributions of tangible capital assets are recorded at the City's best estimate of fair value on the date of contribution, calculated using engineering plans and standardized item cost estimates. Actual results could differ from these estimates.

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 the Consolidated Financial Statements

For the year ended December 31, 2016

2. Significant Accounting Policies (continued from previous page)

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 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, 2016.

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, 2016

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, 2016

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

	2016	2015
Bank Deposits	\$ 23,036,580	\$ 16,265,116
MFA - Money Market Fund	4,201,363	4,168,237
	\$ 27,237,943	\$ 20,433,353

City of Colwood

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

4. Accounts payable and accrued liabilities

		2016		2015
Trade accounts payable	\$	564,289	\$	371,442
Government accounts payable		2,351,936		1,572,962
Wages payable		111,707		65,412
Employee future benefits		575,500		548,200
Termination benefits		133,575		-
Other accruals		245,068		1,670,728
West Shore Parks and Recreation Society		211,363		273,199
	\$	4,193,438	\$	4,501,943

Employee Future Benefits

		2016		2015
Accrued sick leave	\$	296,400	\$	281,300
Retirement benefit payments		279,100		266,900
	\$	575,500	\$	548,200

		2016		2015
Accrued benefit obligation:				
Balance, beginning of year	\$	548,200	\$	506,800
Current service cost		57,800		56,300
Interest cost		18,300		17,000
Benefits paid		(60,300)		(13,500)
Actuarial		11,500		(18,400)
Balance, end of year	\$	575,500	\$	548,200

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

	2016	2015
Discount rates	3.4%	3.1%
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, 2016

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

Municipal Pension Plan

The employer and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis.

The City of Colwood paid \$597,401 (2015 - \$586,540) for employer contributions while employees contributed \$499,593 (2015 - \$486,039) to the plan in fiscal 2016.

The next valuation will be as at December 31, 2018, with results available in 2019.

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

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 \$53,438 (2015 - \$52,553) for employer contributions and City employees paid \$57,551 (2015 - \$54,781) to the plan in fiscal 2015.

City of Colwood
Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

5. Deferred revenue

	2016	2015
Building permit fees	\$ 128,500	\$ 101,050
Federal Gas Tax funds	2,441,555	2,182,474
Development cost charges	2,628,170	1,608,595
Cash in lieu of parklands	406,535	387,600
Provincial government grants	-	7,017
Sidewalk fund	226,233	221,133
Frontage	519,776	481,776
Other	114,732	88,148
West Shore Parks and Recreation	250,134	275,914
	\$ 6,715,635	\$ 5,353,707

Federal Gas Tax funds

	2016	2015
Opening balance of unspent funds	\$ 2,182,474	\$ 1,855,133
Add:		
Amounts received during the year	731,357	707,550
Interest income restricted for projects	28,172	19,452
	2,942,003	2,582,135
Less: amount spent on projects and recorded as revenue	(500,448)	(399,661)
	\$ 2,441,555	\$ 2,182,474

City of Colwood

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

6. Debt

a) Long-term debt:

The City issues long-term debt instruments through the Municipal Finance Authority (the "MFA") and the amount payable is \$11,900,560 (2015 - \$8,307,221). Long-term debt matures from 2017 to 2028 and carries an interest rate of 2.89%.

b) Equipment finance loan:

The City exercised the "purchase option" under the remaining capital lease arrangements (2015 lease obligation - \$2,114,724) and secured short-term equipment financing loans bearing interest at 1.39%. The balance of the equipment financing loans at December 31, 2016 was \$2,017,866 (2015 - nil).

c) Short-term debt:

The City retired all outstanding short-term debt via the MFA's Spring 2016 Long-term Issue (2015 - \$2,100,816).

Principal payments on long-term and debt and equipment financing for the next five years are as follows:

	Long-term Debt	Equipment Financing	Total
2017	\$ 754,632	\$ 261,153	\$ 1,015,784
2018	754,632	255,374	1,010,006
2019	503,960	203,003	706,964
2020	481,888	175,121	657,009
2021	481,888	118,184	600,072

d) Interest expense:

Total interest expense during the year was \$726,787 (2014 - \$506,661)

City of Colwood

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

7. Tangible capital assets

	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 2016	Total 2015
2016										
<u>Cost</u>										
Balance, beginning of year	249,585	58,515,575	5,821,069	9,383,008	32,668,134	2,378,837	69,752,596	14,955,038	193,723,842	185,605,302
Additions	410,563	-	-	566,236	153,900	414,908	397,894	-	1,943,501	8,583,446
Disposals	(197,339)	-	-	(903,574)	-	-	-	-	(1,100,913)	(414,288)
Change in Westshore Share	-	-	-	-	-	-	-	(178,831)	(178,831)	(50,612)
Balance, end of year	462,809	58,515,575	5,821,069	9,045,670	32,822,034	2,793,745	70,150,490	14,776,207	194,387,599	193,723,848
<u>Accumulated Amortization</u>										
Balance, beginning of year	-	-	(2,756,459)	(4,458,767)	(5,232,138)	(935,606)	(34,353,350)	(3,686,828)	(51,423,148)	(49,518,414)
Disposals	-	-	-	857,775	-	-	-	-	857,775	113,845
Amortization expense	-	-	(147,761)	(459,481)	(355,735)	(98,080)	(1,279,811)	(214,968)	(2,555,836)	(2,029,063)
Change in Westshore Share	-	-	-	-	-	-	-	43,379	43,379	10,476
Balance, end of year	-	-	(2,904,220)	(4,060,473)	(5,587,873)	(1,033,686)	(35,633,161)	(3,858,417)	(53,077,830)	(51,423,156)
Net book value, end of year	462,809	58,515,575	2,916,849	4,985,197	27,234,161	1,760,059	34,517,329	10,917,790	141,309,769	142,300,692

City of Colwood

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

7. Tangible capital assets *(continued from previous page)*

- a) Assets under construction:
As at December 31, 2016 there was \$462,809 of assets under construction (2015 - \$249,585). No amortization has been recorded on these assets as they are not yet in productive use.
- b) Contributed tangible capital assets:
Total contributed tangible capital assets for 2016 was \$558,215 (2015 - \$6,228,751). During 2016, the City acquired infrastructure from developers as part of subdivision installations, including roads, sidewalks, sewer systems, storm drains, bike lanes, and street lighting. These contributed assets were recognized at an estimate of the fair value of the cost of the materials and installation.
- 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 (2015 - \$0).
- e) Gain/loss on disposal of tangible capital assets:
During the year, the City recognized a \$49 loss on disposal of tangible capital assets (2015 - \$45,695 gain). This amount is included in Other revenue on the Consolidated Statement of Operations.
- f) 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, 2016

8. Accumulated surplus

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

	2016	2015
Fund Surplus:		
Invested in tangible capital assets (General Capital and Sewer Capital)	\$ 129,791,525	\$ 129,777,928
Operating Fund accumulated surplus (General Operating and Sewer Operating)	5,779,183	5,194,279
Internal Financing (Sewer Debt - Central LAS) - to be recovered	(302,692)	(235,590)
West Shore Parks and Recreation Society	(79,163)	(9,115)
Total fund surplus	135,188,853	134,727,502
Reserve funds set aside for specific purposes by Council:		
Future operating expenditures	2,251,519	2,127,547
Capital projects	579,229	590,295
Sewer capital projects	901,824	961,140
General fleet replacement	584,569	677,931
Fire fleet replacement	712,126	525,189
Sewer fleet replacement	172,562	171,075
Equipment replacement	1,038	1,029
Community amenities	1,177,088	646,167
Affordable housing	586,392	429,000
RCMP surplus	244,588	242,481
Police building	148,337	147,059
New Fire Hall	154,929	153,594
St. John's Heritage Church	79,854	63,637
Infrastructure Deficit	432,648	302,149
Public Art	26,089	25,864
Total reserve funds	8,052,792	7,064,157
	\$ 143,241,646	\$ 141,791,659

City of Colwood

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

9. Taxation

	2016	2015
General	\$ 22,455,770	\$ 21,531,306
Payments in lieu of taxes	3,569,190	4,014,602
Parcel taxes	540,192	535,255
1% utility taxes	182,263	184,540
	<u>26,747,414</u>	<u>26,265,752</u>
Less taxes on behalf of:		
Capital Regional District - General Operating	(1,893,984)	(1,817,203)
Capital Regional District - Septic Operating	(67,238)	(65,891)
Capital Regional Hospital District	(1,010,004)	(995,671)
School authorities	(6,993,261)	(7,089,841)
British Columbia Assessment Authority	(204,733)	(208,704)
Municipal Finance Authority	(699)	(673)
Victoria Regional Transit Authority	(1,051,730)	(1,052,405)
	<u>(11,221,649)</u>	<u>(11,230,388)</u>
	<u>\$ 15,525,765</u>	<u>\$ 15,035,365</u>

City of Colwood

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

10. Government transfers

	2016	2015
Conditional government transfers:		
Federal:		
Gas Tax	\$ 500,448	\$ 399,661
Natural Resources Canada	-	116,550
Provincial:		
Trees for Tomorrow	7,017	-
Climate Action	6,705	6,351
Other	725	55,853
Infrastructure Plan	-	50,000
Other:		
Q Arena Debt Subsidy	75,138	75,138
West Shore Parks & Recreation	-	34,005
	590,032	737,558
Unconditional government transfers:		
Provincial:		
Small Communities	232,881	240,629
Traffic Fines	155,795	147,248
Casino revenue sharing	324,573	313,983
Other	164	1,746
West Shore Parks & Recreation	9,325	4,564
	722,738	708,152
Total Government Transfers	\$ 1,312,770	\$ 1,445,710

City of Colwood

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

11. 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, 2016 there were contingent demand notes of \$497,718 (2015 - \$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 2017 estimated cost of this contract is \$2,800,000 (2016 - \$2,687,000).

City of Colwood

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

12. 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 25, 2016 with the adoption of the 2016 - 2020 Financial Plan Bylaw No 1618, 2016. 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.

	<u>2016 Budget</u>
Consolidated Budgeted Surplus, per City of Colwood Financial Plan Bylaw No. 1618	\$ -
Add	
Capital expenditures	4,683,285
Debt principal repayments	1,011,644
Transfers to reserves	971,320
Less	
Proceeds of borrowing	(2,400,000)
Transfers from reserves	<u>(1,050,957)</u>
Budgeted surplus for the year, per Consolidated Statement of Operations	<u>\$ 3,215,292</u>

13. 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 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.

The cost sharing formula in the Members' Agreement produces different cost shares for the members from year-to-year resulting in a gain or loss on the opening fund balances. In 2016, the City recorded a loss of \$157,101 (2015 - loss of \$49,578).

City of Colwood

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

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

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.

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 2016, the City's proportion for consolidation purposes was 22.34% (2015 - 22.67%).

c) Condensed financial information for the Society as follows, prior to consolidation:

		2016	2015
Financial assets	\$	3,356,046	3,414,023
Financial liabilities		2,065,793	2,422,204
Net financial assets		1,290,253	991,819
Non-financial assets		996,842	879,243
Accumulated surplus		2,287,095	1,897,419
Invested in tangible capital assets		974,690	892,651
Reserve funds		1,970,345	1,718,043
Other		(657,940)	(713,275)
		2,287,095	1,897,419
Revenues		6,210,461	6,433,559
Requisition from members		4,968,945	4,844,916
		11,179,406	11,278,475
Expenses		5,820,785	6,600,366
Requisition from members		4,968,945	4,844,916
		10,789,730	11,445,282
Annual surplus (deficit)	\$	389,676	(166,807)

City of Colwood

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

14. Comparative figures

Certain comparative figures have been restated to conform with the current year's presentation.

15. Restatement of prior period amounts

During the year, the City discovered that contributed tangible capital assets from developers had not been recorded from 2013 to 2015. The City has restated these consolidated financial statements to record contributed tangible capital assets relating to subdivision construction projects, including roads, storm drains, sewer, sidewalk and street lighting that were received by the City in 2013, 2014 and 2015. The effect of the restatement on the comparative figures for the year ending December 31, 2015 was to increase the following accounts by the amounts described below.

Accumulated surplus, beginning of year (for 2013 and 2014 contributed tangible capital assets, net of accumulated amortization)	\$1,036,160
Tangible capital assets	7,071,906
Developer contributions revenue	6,134,193
Sewer utility and enterprise services expense (for amortization)	91,611
Engineering and transportation services expense (for amortization)	6,836
Annual surplus	6,035,746
Accumulated surplus, end of year	7,071,906

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.

City of Colwood

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

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

Solid Waste Management

The Solid Waste Management 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.

Planning and Development Services

Planning and Development Services 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 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 2016 - 2020 Financial Plan Bylaw No 1618, 2016.

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, 2016

16. Segmented information (continued from previous page)

2016	General Government	Protective Services	Engineering and Transportation Services	Solid Waste Management	Planning and Development Services	Recreation, Parks and Culture	Sewer Services	TOTAL 2016
Revenue:								
Taxation	2,118,827	5,048,268	3,819,746	145,630	606,670	3,309,723	476,903	15,525,765
User Charges	62,418	678,733	164,570	13,863	322,457	1,326,501	675,733	3,244,275
Government Transfers	1,303,445	-	-	-	-	9,325	-	1,312,770
Other	439,376	5,440	441,004	-	827,867	76,752	163,545	1,953,984
Total revenue	3,924,066	5,732,441	4,425,320	159,493	1,756,994	4,722,301	1,316,181	22,036,794
Expenses:								
Salaries and wages	1,585,079	2,588,725	2,389,207	91,568	648,695	365,499	225,094	7,893,867
Materials, supplies and services	1,053,297	3,405,182	864,914	93,372	121,737	3,395,974	472,419	9,406,895
Interest and other	(16,093)	80,965	132,212	-	-	166,404	209,618	573,106
Amortization	68,490	336,103	1,635,025	-	-	275,258	240,962	2,555,838
Total Expenses	2,690,773	6,410,975	5,021,358	184,940	770,432	4,203,135	1,148,093	20,429,706
Annual surplus (deficit)	1,233,293	(678,534)	(596,038)	(25,447)	986,562	519,166	168,088	1,607,088

City of Colwood
Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

16. Segmented information (continued from previous page)

2015	General Government	Protective Services	Engineering and Transportation Services	Solid Waste Management	Planning and Development Services	Recreation, Parks and Culture	Sewer Services	TOTAL 2015
Revenue:								
Taxation	2,327,709	4,583,698	3,737,412	158,084	544,420	3,207,139	476,903	15,035,365
User Charges	36,861	545,607	180,511	13,311	199,604	1,369,065	923,351	3,268,310
Government Transfers	1,407,159	-	-	1,314	-	38,551	-	1,447,024
Other	488,946	12,459	5,631,601	-	240,300	77,787	587,497	7,038,590
Total revenue	4,260,675	5,141,764	9,549,524	172,709	984,324	4,692,542	1,987,751	26,789,289
Expenses:								
Salaries and wages	1,668,297	2,219,622	2,132,273	89,307	575,705	316,239	233,911	7,235,354
Materials, supplies and services	1,162,958	3,294,658	849,376	109,635	109,424	3,500,165	570,225	9,596,441
Interest and other	84,826	50,396	335,561	-	-	-	172,288	643,071
Amortization	13,237	203,702	1,477,766	-	-	219,637	114,722	2,029,064
Total Expenses	2,929,318	5,768,378	4,794,976	198,942	685,129	4,036,041	1,091,146	19,503,930
Annual surplus (deficit)	1,331,357	(626,614)	4,754,548	(26,233)	299,195	656,501	896,605	7,285,359