

Independent Auditors' Report

To the Mayor and Council of the City of Colwood:

We have audited the accompanying consolidated financial statements of the City of Colwood, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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, 2014 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Nanaimo, British Columbia

May 11, 2015

MNP LLP

Chartered Accountants

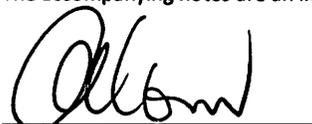
CITY OF COLWOOD**Consolidated Statement of Financial Position****Statement A**

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
Financial Assets:		
Cash and cash equivalents (Note 2)	\$ 17,933,297	\$ 15,334,870
Property taxes receivable	1,051,745	1,816,709
Accounts receivable	1,417,489	1,128,273
	<u>20,402,531</u>	<u>18,279,852</u>
Financial Liabilities:		
Accounts payable and accrued liabilities (Note 3)	4,097,790	4,495,687
Prepaid property taxes	286,988	216,480
Deferred revenue (Note 4)	4,673,940	3,753,309
Refundable deposits	1,727,732	1,323,851
Capital leases (Note 5)	1,074,756	1,071,814
Debt (Note 6)		
Short term	2,100,816	2,422,634
Long term	9,195,808	10,055,293
	<u>23,157,830</u>	<u>23,339,068</u>
Net Debt (Financial Liabilities)	<u>(2,755,299)</u>	<u>(5,059,216)</u>
Non-financial assets:		
Tangible capital assets (Note 7)	135,050,719	136,653,355
Inventory of supplies	876,284	903,537
Prepaid expenses	348,014	355,285
	<u>136,275,017</u>	<u>137,912,177</u>
Accumulated surplus (Note 8)	<u>\$ 133,519,718</u>	<u>\$ 132,852,961</u>

Commitments and Contingencies (Note 11)

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



Chief Administrative Officer



Director of Finance

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

Year ended December 31, 2014, with comparative figures for 2013

	Budget	2014	2013
	(Note 12)		
Revenue			
Taxation (Note 9)	\$ 14,156,565	\$ 14,171,173	\$ 13,633,385
User charges	2,889,785	3,095,656	3,300,191
Fines and penalties	227,100	254,458	265,559
Investment earnings	159,203	255,792	169,258
Unconditional government transfers (Note 10)	592,568	549,832	677,736
Conditional government transfers (Note 10)	2,630,940	737,418	1,495,787
Developer contributions	223,000	278,449	133,556
Other	22,250	68,437	39,806
	20,901,411	19,411,215	19,715,278
Expenses			
General government	3,873,283	2,913,341	3,195,614
Protective services	5,448,068	5,476,734	5,156,178
Engineering and transportation services	3,628,941	4,618,961	4,317,240
Environmental health services	213,340	219,440	188,507
Environmental development services	910,564	698,962	530,545
Recreation, parks and culture	3,426,813	3,583,971	3,302,623
Sewer utility and enterprise services	711,990	1,025,830	1,048,495
	18,212,999	18,537,239	17,739,202
Annual surplus from City operations	2,688,412	873,976	1,976,076
Gain/(Loss) on change in proportionate share of Westshore Parks and Recreation Society	-	(207,219)	80,629
Annual surplus	2,688,412	666,757	2,056,705
Accumulated surplus, beginning of year	132,852,961	132,852,961	130,796,256
Accumulated surplus, end of year	\$135,541,373	\$133,519,718	\$132,852,961

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

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

Year ended December 31, 2014, with comparative figures for 2013

	Budget	2014	2013
	(Note 12)		
Annual surplus	\$ 2,688,412	\$ 666,757	\$ 2,056,705
Acquisition of tangible capital assets (purchased)	(4,919,207)	(876,456)	(1,532,622)
Acquisition of tangible capital assets (leased)	(185,000)	(152,755)	(413,448)
Amortization of tangible capital assets		2,411,356	2,036,843
Loss/(Gain) on disposal of tangible capital assets		(10,121)	(35,469)
Proceeds on disposal of tangible capital assets		23,393	-
Loss/(Gain) on change in proportionate share of Westshore Parks and Recreation Society		207,219	(80,629)
	<u>(2,415,795)</u>	<u>2,269,393</u>	<u>2,031,380</u>
Acquisition (consumption) of inventory of supplies		27,253	7,863
Acquisition (use) of prepaid expenses		7,271	(280,565)
		<u>-</u>	<u>34,524</u>
Change in net debt (financial liabilities)	(2,415,795)	2,303,917	1,758,678
Net debt, beginning of year	(5,059,216)	(5,059,216)	(6,817,894)
Net debt, end of year	\$ (7,475,011)	\$ (2,755,299)	\$ (5,059,216)

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

CITY OF COLWOOD
Consolidated Statement of Cash Flows

Statement D

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 666,757	\$ 2,056,705
Items not involving cash:		
Amortization of tangible capital assets	2,411,356	2,036,843
Loss/(Gain) on disposal of tangible capital assets	(10,121)	(35,469)
Proceeds on disposal of tangible capital assets	23,393	-
Actuarial adjustment on debt	(114,204)	(78,194)
Loss/(Gain) on change in proportionate share of Westshore Parks and Recreation Society	207,219	(80,629)
Change in non-cash operating assets and liabilities		
Property taxes receivables	764,964	(261,088)
Accounts receivable	(289,216)	369,661
Accounts payable and accrued liabilities	(397,897)	324,595
Prepaid property taxes	70,508	24,308
Deferred revenue	920,631	(333,670)
Refundable deposits	403,881	(74,967)
Inventory of supplies	27,253	7,863
Prepaid expenses	7,271	(280,566)
	4,691,795	3,675,392
Capital activities:		
Acquisition of tangible capital assets (purchased)	(876,456)	(1,532,622)
	(876,456)	(1,532,622)
Financing activities:		
Capital lease payments	(149,813)	(148,772)
Debt Payments	(1,067,099)	(723,052)
	(1,216,912)	(871,824)
Increase in cash and cash equivalents	2,598,427	1,270,946
Cash and cash equivalents, beginning of year	15,334,870	14,063,924
Cash and cash equivalents, end of year	\$ 17,933,297	\$ 15,334,870
Supplemental cash flow information		
Cash paid for interest	\$ 412,122	\$ 537,100
Cash received from interest	\$ 137,288	\$ 109,003

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

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

City of Colwood (the "City") is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia.

The City provides municipal services such as police, fire, public works, engineering, planning, parks, recreation, community development, conference facilities and other general government operations.

1. Significant Accounting Policies:

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

(a) Reporting entity:

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

(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 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.

(d) 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.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

1. Significant Accounting Policies (continued):

(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. Market value for investments is the same as book value.

(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 expenses 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.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

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.

(l) Tangible capital assets

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

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

Amortization is charged annually, including in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

(II) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(III) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

(IV) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(V) Interest capitalization

The City does not capitalize interest costs associated with tangible capital assets.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

1. Significant Accounting Policies (continued):

(j) **Non-financial assets (continued):**

(VII) **Leased tangible capital assets**

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(VIII) **Inventory of supplies**

Inventory of supplies held for consumption is recorded at the lower of cost and replacement cost, using the first in, first out method.

(k) **Use of estimates:**

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

(l) **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.

(m) **Recent accounting pronouncements:**

In June, 2010 the Public Sector Accounting Board (PSAB) issued PS 3260 Liability for Contaminated Sites to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, and provides the related financial statement presentation and disclosure requirements.

PS 3260 is effective for fiscal years beginning on or after April 1, 2014. The City has not yet determined the effect of the new section on its consolidated financial statements.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

2. Cash and cash equivalents

	2014		2013	
Bank Deposits	\$	13,800,367	\$	11,227,967
MFA - Money Market Fund		4,132,930		4,106,903
	\$	17,933,297	\$	15,334,870

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

3. Accounts payable and accrued liabilities

	2014	2013
Trade accounts payable	\$ 979,767	\$ (15,753)
Government accounts payable	1,698,757	1,369,920
Wages payable	40,805	58,288
Employee future benefits	506,800	504,896
Other accruals	669,417	2,300,465
West Shore Parks and Recreation Society	202,244	277,871
	\$ 4,097,790	\$ 4,495,687

Employee Future Benefits

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

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

	2014	2013
Accrued sick leave	\$ 257,400	\$ 242,768
Retirement benefit payments	249,400	262,128
	\$ 506,800	\$ 504,896

	2014	2013
Accrued benefit obligation:		
Balance, beginning of year	\$ 504,896	\$ 557,160
Current service cost	49,400	(61,264)
Interest cost	18,600	9,000
Benefits paid	(31,100)	-
Actuarial	(34,996)	-
Balance, end of year	\$ 506,800	\$ 504,896

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

3. Accounts payable and accrued liabilities (continued):

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

	2014	2013
Discount rates	3.10%	3.50%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2.58%-4.63%	2.00%-2.75%

Municipal Pension Plan

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local government, including approximately 75 contributors from the City of Colwood.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1.37 billion funding deficit for basic pension benefits. The next valuation will be December 31, 2015 with results available in 2016.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting).

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

The City of Colwood paid \$513,186 (2013 - \$480,580) for employer contributions in fiscal 2014. City employees contributed \$413,159 (2013 - \$389,845) to the Plan in fiscal 2014.

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 \$44,406 (2013 - \$43,328) for employer contributions and City employees paid \$50,875 (2013 - \$43,328) to the plan in fiscal 2014.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

4. Deferred revenue

	2014	2013
Building permit fees	\$ 114,500	\$ 56,000
Federal Gas Tax funds	1,855,133	1,309,391
Development cost charges	1,372,280	1,089,794
Cash in lieu of parklands	368,706	364,392
Provincial government grants	8,353	20,000
Sidewalk fund	221,133	274,602
Frontage	410,824	410,824
Other	62,790	55,394
West Shore Parks and Recreation	260,221	172,912
	\$ 4,673,940	\$ 3,753,309

Federal Gas Tax funds

	2014	2013
Opening balance of unspent funds	\$ 1,309,391	\$ 1,737,209
Add:		
Amounts received during the year	707,550	444,522
Interest income restricted for projects	18,621	19,248
	2,035,562	2,200,979
Less: amount spent on projects and recorded as revenue	(180,429)	(891,588)
	\$ 1,855,133	\$ 1,309,391

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

5. Capital leases

- (a) The City leases fire and rescue equipment and operations equipment under capital leases. The economic substance of the leases is that the City is financing the acquisition of the assets through the leases and, accordingly, they are recorded in the City's tangible capital assets (see note 7). All City leases are financed through the Municipal Finance Authority.
- (b) Future minimum lease payments under the capital leases together with the balance of the obligations due are as follows:

	Total
2015	169,037
2016	155,458
2017	152,847
2018	102,404
2019 and beyond	564,584
Total minimum lease payments	1,144,330
Less: amount representing interest	69,574
Obligations under capital lease	\$ 1,074,756

- (c) Total interest expense for leases during the year was \$20,520 (2013 - \$21,082) and interest rates were constant at 2% (2013 - 2%).

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

6. Debt

(a) **Short term debt:**
Short-term debt of \$2,100,816 (2013 - \$2,422,634) is with the MFA and bears interest at 1.5%.

(b) **Long term debt:**
The City issues long-term debt instruments through the MFA and the amount payable is \$9,195,808 (2013 - \$10,055,293).

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

	Total
2015	723,052
2016	723,052
2017	667,442
2018	667,442
2019	416,769

(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 \$515,659 (2013 - \$537,100)

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

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 2014	Total 2013
2014										
<u>Cost</u>										
Balance, beginning of year	177,564	58,518,410	5,654,562	10,287,501	30,159,069	1,727,605	62,141,714	15,260,646	183,927,071	182,213,594
Additions	226,568	-	39,885	430,700	-	26,674	305,384	-	1,029,211	1,946,067
Disposals	-	-	-	(146,778)	-	-	-	(9,711)	(156,489)	(318,668)
Change in Westshore Share	-	-	-	-	-	-	-	(256,005)	(256,005)	86,098
Balance, end of year	404,132	58,518,410	5,694,447	10,571,423	30,159,069	1,754,279	62,447,098	14,994,930	184,543,788	183,927,091
<u>Accumulated Amortization</u>										
Balance, beginning of year	-	-	(2,465,969)	(5,559,248)	(4,618,473)	(786,214)	(30,536,083)	(3,307,729)	(47,273,716)	(45,585,563)
Disposals	-	-	-	143,217	-	-	-	-	143,217	348,670
Amortization expense	-	-	(147,092)	(487,304)	(366,142)	(90,821)	(1,100,121)	(219,876)	(2,411,356)	(2,036,843)
Change in Westshore Share	-	-	-	-	-	-	-	48,786	48,786	-
Balance, end of year	-	-	(2,613,061)	(5,903,335)	(4,984,615)	(877,035)	(31,636,204)	(3,478,819)	(49,493,069)	(47,273,736)
Net book value, end of year	404,132	58,518,410	3,081,386	4,668,088	25,174,454	877,244	30,810,894	11,516,111	135,050,719	136,653,355

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

7. Tangible capital assets (continued):

(a) Assets under construction:

As at December 31, 2014 there was \$404,132 of assets under construction (2013 - \$177,564).
No amortization has been recorded on these assets as they are not yet in productive use.

(b) Contributed tangible capital assets:

There were no contributed assets recognized during the year (2013 - \$0).

(c) Works of art and historical treasures:

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(d) Write-down of tangible capital assets:

No write-down of tangible capital assets occurred during the year (2013 - \$0).

(e) West Shore:

The City's proportionate share of West Shore assets includes land, building and equipment which are subject to amortization policies consistent with those of the City.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

8. Accumulated surplus

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

	2014	2013
Surplus:		
Invested in tangible capital assets	\$ 122,679,339	\$ 122,965,119
Other	4,203,419	3,385,519
Total surplus	126,882,758	126,350,638
Reserves set aside by Council:		
Westshore	68,836	207,017
Internal Financing (Sewer Debt - Central LAS) -	(205,818)	(169,161)
Total reserves	(136,982)	37,856
Reserve funds set aside for specific purposes by Council:		
Police building improvements	145,649	143,945
Affordable housing	363,183	309,766
Amenities	519,551	529,668
Capital projects	629,136	922,372
Equipment replacement	1,019	1,007
RCMP surplus	240,156	237,346
Sewer capital	705,064	660,206
Future operational expense	2,100,049	2,152,898
St-John's Church	61,351	35,351
Fleet replacement - General Fund	904,717	663,237
Fleet replacement - Fire Hall	663,099	399,367
New Firehall	152,121	100,634
Infrastructure Deficit	152,442	100,951
Fleet replacement - Sewer Fund	120,741	198,662
Public Art	15,664	9,057
Total reserve funds	6,773,942	6,464,467
	\$ 133,519,718	\$ 132,852,961

CITY OF COLWOOD**Notes to Consolidated Financial Statements**

Year ended December 31, 2014

9. Taxation

	2014	2013
General	\$ 21,175,038	\$ 20,283,314
Payments in place of taxes	1,985,451	1,871,374
Parcel taxes	762,849	746,012
1% utility taxes	184,723	185,087
	<u>24,108,061</u>	<u>23,085,787</u>
Less taxes on behalf of:		
Capital Regional District - General Operating	(1,510,195)	(1,034,315)
Capital Regional District - Sewer Operating	-	(84,734)
Capital Regional District - Septic Operating	(63,805)	(61,952)
Capital Regional Hospital District	(930,877)	(907,290)
School authorities	(6,329,632)	(6,307,137)
British Columbia Assessment Authority	(191,720)	(193,304)
Municipal Finance Authority	(597)	(606)
Victoria Regional Transit Authority	(910,062)	(863,064)
	<u>(9,936,888)</u>	<u>(9,452,402)</u>
	<u>\$ 14,171,173</u>	<u>\$ 13,633,385</u>

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

10. Government transfers

	2014	2013
Conditional government transfers:		
Federal:		
Gas Tax	\$ 180,429	\$ 891,588
Other	14,331	11,400
Provincial:		
Natural Resources Canada	460,807	298,164.57
Local Motion Grant	-	106,504
Trees for Tomorrow	-	-
Climate Action	6,513	6,267
Other	200	10,285
Other:		
Q Arena Debt Subsidy	75,138	171,578
West Shore Parks & Recreation	-	-
	737,418	1,495,787
Unconditional government transfers:		
Provincial:		
Small Communities	148,085	106,559
Traffic Fines	83,486	125,624
Casino revenue sharing	300,859	326,704
	401	
Other	11,647	104,493
West Shore Parks & Recreation	5,354	14,356
	549,832	677,736
Total Government Transfers	\$ 1,287,250	\$ 2,173,523

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

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.

During the year, one significant group of properties was reassessed and the City has estimated a liability related to these properties. There may be additional liability amounts to record once the reassessment is finalized. Amounts have not been disclosed separately due to the ongoing nature of the matter.

(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, 2014 there were contingent demand notes of \$490,890 (2013 - \$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 2015 estimated cost of this contract is \$2,595,000 (2014 estimate - \$2,549,556).

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

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 March 24, 2014 with the adoption of the 2014 - 2018 Financial Plan Bylaw No 1534, 2014. 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.

		Budget
Revenue and Additions		
Total per Colwood Five Year Financial Plan (2014)	\$	24,902,438
West Shore Parks and Recreation Society		1,262,053
Less:		
Transfers from reserves per Colwood Five Year Financial Plan (2014)		(2,778,080)
Long term debt proceeds per Colwood Five Year Financial Plan (2014)		(2,300,000)
Lease proceeds per Colwood Five Year Financial Plan (2014)		(185,000)
Adjusted Revenue (per Budget shown on FS)		20,901,411
Expenses and Deductions		
Total per Colwood Five Year Financial Plan (2014)	\$	24,902,438
West Shore Parks and Recreation Society		1,272,088
Less:		
Transfers to reserves per Colwood Five Year Financial Plan (2014)		(1,758,589)
Principal payments on debt per Colwood Five Year Financial Plan (2014)		(1,098,731)
Acquisition of TCA per Colwood Five Year Financial Plan (2014)		(5,104,207)
Adjusted Expenses (per Budget shown on FS)		18,212,999
Annual Surplus	\$	2,688,412

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

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. For 2014, the City's share of improvements purchased by the Society on its behalf is \$28,884.

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 2014, the City recorded a loss of \$207,219 (2013 - gain of \$98,518).

The repayment of long-term debt associated with the transferred assets will continue to be a regional function, in accordance with the terms of an Agreement to Transfer between the CRD, the Municipalities and the Society. The debt payments are charged to the Municipalities as part of the CRD's annual requisition. The maturity dates of the various borrowings range from 2013 through 2014. The proportionate share of the debt funded by the City through the requisition process as at December 31, 2013, was \$16,839 (2013 - \$39,069).

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 2014, the City's proportion for consolidation purposes was 22.76% (2013 - 23.19%).

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

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

(b) Condensed financial information for the Society as follows:

	2013
Financial assets	\$ 2,993,912
Financial liabilities	2,112,249
Net financial assets	881,663
Non-financial assets	879,243
Accumulated surplus	1,760,906
Invested in tangible capital assets	875,645
Reserve funds	1,776,928
Other	(891,667)
	1,760,906
Revenues	5,694,277
Requisition from members	4,845,294
	10,539,571
Expenses	5,247,514
Requisition from members	4,845,294
	10,092,808
Annual surplus (deficit)	\$ 446,763

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

Note 14. 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, pedestrian and cycling issues, on-street parking regulations, including street signs and painting as well as traffic signal timing.

Environmental Health Services

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

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

Note 14. Segmented information (continued):

Environmental Development Services

Environmental Development co-ordinates and leads efforts to enhance the City's neighbourhoods, foster arts and culture and work to create a vibrant and dynamic City.

Development services provide a full range of planning services related to zoning, development permits, variance permits and current regulatory issues.

Recreation, Parks and Culture

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

Sewer Utility and Enterprise Services

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

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 2014 - 2018 Financial Plan Bylaw No 1534.

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.

Comparative segment allocations for 2013 have been restated to conform with the current year's presentation.

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

Note 14. Segmented information (continued):

2014	General Government	Protective Services	Engineering and Transportation Services	Environmental Health Services	Environmental Development Services	Recreation, Parks and Culture	Sewer Utility and Enterprise Services	TOTAL 2014
Revenue:								
Taxation	2,117,303	3,980,280	3,356,882	159,480	507,978	2,604,691	1,444,559	14,171,173
User Charges	147,365	503,806	103,029	-	180,423	1,328,839	832,194	3,095,656
Government Transfers	461,007	83,486	349,759	-	-	392,998	-	1,287,250
Other	567,434	8,546	71,592	-	184,250	24,564	750	857,136
Total revenue	3,293,109	4,576,118	3,881,262	159,480	872,651	4,351,092	2,277,503	19,411,215
Expenses:								
Salaries and wages	1,772,556	2,088,498	2,217,269	80,081	525,502	175,426	179,694	7,039,026
Materials, supplies and services	485,554	3,115,523	938,513	139,359	173,460	3,317,882	367,841	8,538,132
Interest and other	334,373	30,552	2,516	-	-	-	181,286	548,727
Amortization	320,858	242,161	1,460,663	-	-	90,663	297,009	2,411,354
Total Expenses	2,913,341	5,476,734	4,618,961	219,440	698,962	3,583,971	1,025,830	18,537,239
Annual surplus (deficit)	379,768	(900,616)	(737,699)	(59,960)	173,689	767,121	1,251,673	873,976

CITY OF COLWOOD**Notes to Consolidated Financial Statements**

Year ended December 31, 2014

Note 14. Segmented information (continued):

Comparative information for the year ended December 31, 2013

2013	General Government	Protective Services	Engineering and Transportation Services	Environmental Health Services	Environmental Development Services	Recreation, Parks and Culture	Sewer Utility and Enterprise Services	TOTAL 2013
Revenue:								
Taxation	2,331,670	3,762,189	3,150,061	137,544	387,111	2,409,749	1,455,061	13,633,385
User Charges	164,462	464,768	243,642	-	106,829	1,306,203	1,014,287	3,300,191
Government Transfers	298,365	125,624	1,132,558	-	-	616,976	-	2,173,523
Other	460,160	12,263	33,556	-	101,200	-	1,000	608,179
Total revenue	3,254,657	4,364,844	4,559,817	137,544	595,140	4,332,928	2,470,348	19,715,278
Expenses:								
Salaries and wages	1,772,678	2,027,420	2,068,006	63,965	466,685	162,362	107,411	6,668,527
Materials, supplies and services	950,982	2,917,528	826,692	124,542	63,860	3,071,426	500,028	8,455,058
Interest and other	360,224	-	-	-	-	-	218,549	578,773
Amortization	111,730	211,230	1,422,542	-	-	68,835	222,507	2,036,844
Total Expenses	3,195,614	5,156,178	4,317,240	188,507	530,545	3,302,623	1,048,495	17,739,202
Annual surplus (deficit)	59,043	(791,334)	242,577	(50,963)	64,595	1,030,305	1,421,853	1,976,076

CITY OF COLWOOD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

Note 15. Comparative figures:

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

STATEMENT OF 2014 PROPERTY TAX EXEMPTIONS
In accordance with Section 98(2) of the Community Charter

The following properties were provided a permissive property tax exemption by City Council for the year 2014

Roll Number	Property Tax Exemption Recipient	Address	2014 Municipal Tax Exempted
05462.010	Colwood Pentecostal Church	2250 Sooke Road	\$ 16,660.80
05522.100	Anglican Synod Diocese of BC	510 Mount View Avenue	1,598.08
05169.510	West Side Bible Church	3307 Wishart Road	5,603.97
05531.001	Colwood Women's Institute	2225 Sooke Road	10,887.95
03545.02	Westshore Child, Youth and Family Centre (Queen Alexandra Foundation)	345 Wale Road	30,434.20