2012 ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2012









Village of Lions Bay Office & Community Hall 400 Centre Road

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Message from the Mayor



The Village of Lions Bay Council developed its 2011-2014 Strategic Goals immediately prior to our December 2011 Inauguration.

The Village of Lions Bay Council has exercised discipline in ensuring the 2011 – 2014 Strategic Goals are achievable. From the outset of 2012, Council began the process to establish Best Practices in Policies and Procedures, along with a focus on Staffing to support the best outcome for the Village.

Our fiscal house is in order. The Village Council commitment to budget efficiencies, while providing effective services, has led to positive 2012 budget outcomes. The Village of Lions Bay is pleased to report that it is on task toward achieving this term's 2011 – 2014 Strategic Goals. Both Village of Lions Bay Council and Staff have strived to fulfill these goals and the interests of our residents.

We wish each of you, your family and friends an enjoyable summer!

Sincerely,

Brenda Broughton Mayor Village of Lions Bay





Message from the Secretary-Treasurer

I am pleased to have the opportunity to present the Village's 2012 Annual Report.

The core responsibility of Administration is to implement Council's strategic objectives within the legislative frameworks set by the Province and the Village. The 2012 Annual Report presents Council's strategic priorities for the period 2012-2014, departmental highlights for 2012, and the 2012 audited financial statements. The 2012 audited financial statements presented in this report reflect the Village of Lions Bay's sound financial position.

This year marks the first time in recent history that the Annual Report contains comprehensive information surrounding Village operations and finances. The additional disclosure supports Council's strategic objective of meeting responsibilities in governance.

I would like to thank all of those who contributed to a successful year in 2012. In particular, I would like to acknowledge Council, the management team, and staff in all departments who continue to demonstrate a high level of professionalism and dedication.

I thank our staff teams for their commitment to our community and their dedication to providing our citizens with a high standard of municipal services. As an organization, we will continue to support the strategic direction of Council to balance fiscal restraint, long-term financial sustainability, and community renewal.

Sincerely,

Farouk Zaba, B.Com, CA Secretary-Treasurer



COUNCIL

Village of Lions Bay Council is made up of the Mayor and four Councillors who are elected for a three year term. The current Council was elected in November of 2011.



Mayor Brenda Broughton



Councillor Scott Ando



Councillor Fred Bain



Councillor Ron McLaughlin



Councillor Joanne Ronsley

Portfolio	Portfolio	Portfolio	Portfolio	Portfolio
 Budget and Finance Land Master Planning Community Centre Renewal Public Works Lobbying and Grants Contracts Under Review and Negotiation 	 Infrastructure Policies and Procedures Parking Labour School Parent Advisory Committee Liaison Playschool Association Liaison Events Committee Liaison Tennis Group Liaison 	 Emergency Services and Safety Volunteerism Emergency Program Committee Liaison Fire Rescue Liaison Emergency Social Services Liaison Search and Rescue Liaison Block Watch Liaison BC Ambulance Service Liaison Community Garden Liaison 	 Best Practices Tendering and Procurement Zoning and Planning Bylaw Review Finance Tree Committee Liaison Board of Variance Liaison Arts Council Liaison Historical Society Liaison Trail Blazers Liaison 	 Team Building and Sustainability North Shore Substance Abuse Committee Liaison Invasive Species Liaison Native Plant Garden Liaison Library Group Liaison Bear Smart Liaison Seniors Guild Liaison



STRATEGIC PRIORITY: STRENGTHENING COMMUNITY

While it is a small community, Lions bay has a strong history of volunteerism. Within the limitations of its character and size, the Village will pursue the provision of community facilities to enhance the social fabric of the community.

Objectives	2012 Accomplishments	Progress
Renew Community Centre	 Secured \$440,000 in grant funding from the Province of British Columbia Established Community Centre Renewal Project Oversight Committee 	In Progress





STRATEGIC PRIORITY: MANAGING DEVELOPMENT

Development, both from within and outside the community, needs to be carefully managed if the Village is to maintain its unique sense of place and diversity. On the one hand the community wishes to protect its natural setting, the low density character of its single family neighborhoods, and the affordability of its lifestyles.

There is a limited supply of land within the Village to accommodate new development. That being said, opportunities for providing different housing forms for those at different stages of their life will be considered, within the context of compatibility with the character of the Village. This could take the form of suites within houses, and the development or redevelopment of specific sites undertaken in a socially and environmentally sensitive manner.

Objectives	2012 Accomplishments	Progress
Undertake Land Use Master Planning	 Prepared draft of request for proposal 	In Progress
Review Zoning Bylaw	for Land Use Master Planner	
 Explore potential for redevelopment/ 		
subdivisions		
 Examine possibility for land sales 		







STRATEGIC PRIORITY: PROVIDING EFFECTIVE SERVICES

Lions Bay prides itself on its efficient delivery of services with relatively low tax rates. This has been accomplished by balancing its revenues against the type of services required by its residents. The Village will continue to search for means to maximize the effectiveness of tax dollars.

Objectives	2012 Accomplishments	Progress
Focus on Infrastructure management	 Started draft of Asset Management policy Undertook review of 2005 Infrastructure Master Plan to update for remaining project 	In Progress
Develop Best Practices	 Undertook research to update Animal Control bylaw Undertook research to updateFees and Charges bylaw Updated Council Procedures bylaw to include public questions and comments 	In Progress

STRATEGIC PRIORITY: MEETING RESPONSIBILITIES IN GOVERNANCE

Lions Bay, as a Village, has a responsibility to provide leadership, manage its policy-making, and enforce its bylaws in a practical manner. The community expects its Council to listen to the views of its residents and act in the best interest of the overall community. Central to achieving this are:

- encouraging public participation in committees
- · undertaking full, open and transparent discussion of all issue
- reaching timely, unambiguous, enforceable decisions

Objectives	2012 Accomplishments	Progress
Communicate with residents through the Community News, Village Update, Village website, Lionsbay.net, and E-Posts	 Quarterly Council articles in the Community News Monthly Council articles in the Village update 	In Progress

STRATEGIC PRIORITY: ENSURING A SAFE COMMUNITY

Lions Bay's location along a major highway and beside a rail line presents challenges in terms of public safety. To address these challenges, Lions Bay has developed a community with a strong emphasis on public safety based on the delivery of protective services, emergency planning, and efforts to ensure highway safety.

Objectives	2012 Accomplishments	Progress
Continue to coordinate integration	Review of Emergency Program and gap analysis	In Progress
of emergency services		







ADMINISTRATIVE SERVICES

The Administrative Services department has the primary responsibility for managing the Village's administrative requirements. From Council agenda and minutes to utility fees and property taxation, the department deals with records both internally and from the public.

2012 HIGHLIGHTS

- Turnover of three staff positions (Office Coordinator, Village Manager, Treasurer)
- Organizational restructuring to combine the positions of Village Manager and Treasurer into one position (Secretary-Treasurer)

LOOKING FORWARD

In 2013, Administrative Services will continue to seek improvements in efficiency and service delivery. Replacement of the seven year old server and IT infrastructure will help to reduce IT maintenance costs, system downtime and the risk of data loss.

The department will also be looking to update and streamline key bylaws and policies to meet Council's strategic priority of providing effective services.

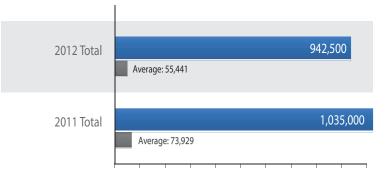
PLANNING AND DEVELOPMENT SERVICES

The Village's Building Inspector is responsible for administer the Village's zoning and construction bylaws. From performing inspections to approving building permits, the Building Inspector looks after most planning and development related issues.

LOOKING FORWARD

In 2013, the main focus will be a review of the Secondary Suites Bylaw and undertaking the process for updating the Land Use Master Plan. An update of the Land Use plan may result in changes to the Village's zoning and construction bylaws.

CONSTRUCTION VALUE OF BUILDING PERMITS



LIONS BAY FIRE & RESCUE SERVICES

Lions Bay Fire Rescue is responsible for fire protection, rescue services, first responder medical aid and fire prevention. The department has 28 active members and trains every Wednesday night and Sunday morning.





2012 HIGHLIGHTS

- Extinguished two interface fires, one in Porteau
 Cove and the other in Crystal Falls above Lions Bay
- Sold Engine 63 to the Britannia Fire Department
- Successfully met fundraising objectives for Firefighter's Day
- Departure of five members of the department who obtained career positions at other departments

2012 - 2011 Response Statistics	2012	2011	% Change 11-12
Fire Alarms	15	9	67%
Medical	23	31	-19%
Highway Response	21	20	5%
Other	35	12	192%
	94	72	31%







LOOKING FORWARD

In 2013, Lions Bay Fire Rescue will continue to enhance firefighter skills through rigorous training. Upgrades to the equipment will continue along with the transition of radio communications from Bowen Island to E-Comm. The transition to E-Comm will facilitate better inter-agency coordination and response.

PUBLIC WORKS

The Public Works Department is responsible for maintaining the Village's water treatment and distribution system which is comprised of two water treatment plants, multiple reservoirs and pressure reducing valves and over 20 km of pipe. The department also maintains two kilometers of sewer pipes and the sewer treatment plant. Additionally, the department also maintains all of the Villageès parks and beaches.





2012 HIGHLIGHTS

- Hiring process started for two permanent full-time positions in place of two casual positions
- Refinements to the water treatment systems to enable off-site monitoring and remote access to UV plants
- Refinement of safety procedures for working at the water intakes due to identified safety hazards

LOOKING FORWARD

Infrastructure assessment will be a major project undertaken in 2013. The information obtained from the assessment will help to formulate the capital requirements for the 2014-2018 five year plan. Work will also continue on refining the water treatment system. Remote access will reduce response time to shut down the reactors during a turbidity event thereby reducing the frequency of boil water advisories. An engineering analysis of the Harvey intake will also be undertaken to look for cost-effective solutions to reduce risk to the crews that work in the area.

To obtain operational and financial efficiencies, the department will be retiring several of its aging vehicles and switching to more fuel efficient leased vehicles. The associated maintenance contract for the vehicles will help minimize unplanned down-time and facilitate easier budgeting of maintenance expenses.

2012 - 2011 Statistics	2012	2011	% Change 11-12
Average Annual Water Consumption (Imperial Gallons)	167,900,000	177,390,000	-5%
Annual Water License (Imperial Gallons)	85,555,000	85,555,000	-
Residential Service Repairs	~14	~23	-39%









2012 COMMUNITY GRANTS

Amounts inclusive of in-kind contributions

Organization	Amount Awarded
Arts Council	\$6,036
Bear Smart Program	321
Emergency Social Services	3,896
Historical Society	469
Library	1,289
Native Plants Garden	209
Sea to Sky Clean Air Society	321
Sea to Sky Invasive Species Council	321
Volunteer Gardeners	651
Total	\$13,513







PERMISSIVE TAX EXEMPTIONS

There were no permissive tax exemptions for 2012.





FINANCIAL STATEMENTS

Message from the Secretary-Treasurer

I am pleased to present the Village of Lions Bay's Audited Financial Statements for the year ended 2012. The financial statements are the responsibility of the Village's management and have been prepared in compliance with Section 167 of the Community Charter and in accordance with principles established by the Public Sector Accounting Board (PSAB).

The financial statements have been audited by BDO Canada LLP, who have expressed in their opinion that these statements present fairly, in all material aspects, the financial position of the Village of as at December 31, 2012 and the results of its operations and changes in cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The Village maintains a system of internal controls designed to safeguard the assets of the Village and provide reliable financial information. The Council of the Village of Lions Bay plays an integral role in this system by overseeing and approving the annual Five Year Financial Plan and periodically reviewing the operational, capital and strategic program results. The Council also obtains input from the Finance Advisory Committee, which is comprised of two members of Council and three residents who possess a background in finance.

The Village of Lions Bay Financial Statements consist of the following four statements:

Statement	Purpose
Statement of Financial Position	This statement is the private sector equivalent of the balance sheet, listing the Village's financial and non-financial assets and financial liabilities, totaling to the accumulated surplus or deficit. The difference between the financial assets and the financial liabilities is termed net financial assets if a positive result occurs, or net financial debt if a negative result occurs. A positive net financial asset result indicates that the Village has generated financial resources to fund future activities, and alternatively, a net financial debt result would mean the Village would need to finance that amount from future budgets.
Statement of Operations	This statement is the private sector equivalent of the income statement, summarizing revenues raised in the year to fund operating and capital needs, lists expenses explaining the cost of goods and services consumed during the year (including amortization of assets), how the organization changed in net value for the period (surplus or deficit), and the new accumulated surplus at year end. This statement reflects the combined operations of the operating and reserve funds for the Village.

Statement	Purpose
Statement of Changes in Net Financial Assets (Net Debt)	This statement is unique to governments accounting for all revenues against all operating expenses and tangible capital asset expenditures (excluding amortization) to calculate whether the Village had an increase in net financial assets or decrease in net financial assets (net debt). This statement is important as it reports the extent to which annual expenditures (cost of goods and services) are met with the revenues recognized within the year. Revenues are recognized from several sources including revenues from own sources (e.g. taxation, user fees, licence fees, sale of service revenues), utilization of existing financial resources (e.g.
Statement of Cash Flows	reserves), and incurring liabilities (e.g. debt, capital leases). This statement reports the change to cash and cash equivalents (highly liquid investments readily convertible to cash) for the year, showing how the Village financed its activities and met its cash commitments. The ending balance represents a pool of cash or ready sources of cash that a government has available to meet its ongoing activities and obligations and emergencies. Essentially, cash is generated and used in the context of four major activities; operating activities, capital activities, investing activities and financing activities.

Statement of Financial Position

For 2012, the Village's results show \$2.0 Million in financial assets and \$2.3 Million in financial liabilities resulting in a net negative outcome of \$257,000 in net debt. Of the \$2.3 Million in financial liabilities, \$1.5 Million is attributable to long-term debt. Over the short term the Village has sufficient working capital to pay for its obligations; however, as the Village is in a net financial debt position, this means that in the future, activities will need to be financed from future budgets.

The Village's non-financial assets list all Tangible Capital Assets (TCAs) the Village owns, and prepaid expenses, with the TCAs making up a significant portion of the total. Non-financial assets decreased by \$253,000 meaning that the annual disposal of TCAs combined with the annual amortization exceeded annual capital replacements. This means that for 2012, assets are being used faster than they are being replaced. For 2012, the Village decreased its non-financial assets with the amortization of \$450,000 in TCA amortization, offset by \$200,000 investment in new TCAs.

The Village's accumulated surplus section is equivalent to the private sector's equity section on the balance sheet. Due to the significant investment in TCAs, the Village, like other local governments, has a large accumulated surplus. Traditionally, the term accumulated surplus has represented the amount of surplus cash reserves the local government had available to fund capital and operating needs. With the adoption of PSAB 1200 (Financial Statement Presentation), the accumulated surplus section now represents a calculation to sum the net financial assets or net debt and the non-financial assets, the result being either the accumulated surplus or the accumulated deficit of the government. The Village's\$19.6 Million accumulated surplus in 2012 is up by \$208,000 over 2011.

Revenues

The Village budgeted to collect \$2.9 Million in total revenues for 2012. The actual amount of revenues collected was \$2.5 Million, resulting in a \$400,000 shortfall. The main sources of variance were due to the Government grant. The Village budgeted \$270,000 for the BC Small Communities Grant; however, the amount recorded in the financial statements was based on the amount received which resulted in a positive variance of \$150,000. This is offset by a \$440,000 negative variance representing the amount budgeted for the Community Centre grant which has been recorded on the financial statements as deferred revenue and will be recognized as revenue as the related expenditures are incured.

The Village's primary sustainable revenue source is

property taxation, and comprises approximately 53% of total revenues. Revenues are generated from the different property classes by multiplying the assessed value of individual properties by the tax rate set for that property class. Residential properties make up 99.7% of the properties in the Village.

Utility fees and user rates are the second highest sustainable source of revenue budgeted at \$353,314. The actual amount of revenue was consistent with the budget.

The Small Communities grant is an important source of revenue that is relied upon by the Village. This grant is provided by the Provincial Government under the Strategic Communities Investment Fund. In 2012 the Provincial Government confirmed funding amounts under the program until 2014. There has been no commitment from the Government to continue the program beyond that time. Discontinuation of the program would have a significant impact of the Village's finances in the future. The Village of Lions Bay has applied the revenues received in 2012 under this program as follows:

Use	Amount	% Tax Reduced
Local government Services	\$429,948	33%

Expenses

2012 operating expenses exceeded budget by \$196,000. The variance from budget is the result of amortization and interest/bank charges being excluded from the budget. In 2013 the financial plan will include these numbers, which will allow for better comparison of actual results against budget.

After factoring out amortization and interest, the Village was under budget by \$348,000. The main contributing factor for being under budget was that less activities were undertaken as compared to what was budgeted for in the financial plan. A byproduct of this is the deferment of certain projects until 2013.

The breakdown of expenses by department can be viewed in the segmented reporting shown in Schedules 1 and 2 of the Financial Statements.

Reserve Fund Balance

The Village maintains a capital reserve fund to finance long-term capital needs. In 2012 \$107,000 was

appropriated from the capital reserve to fund part of the Community Centre renewal offset by interest of \$7,000 credited to the reserve fund. The Village has recognized the need for a reserve fund policy and further planning to identify appropriate reserve levels to meet future capital requirements.

Debt

The Community Charter restricts the Village to the amount of long term liabilities it can commit to, as well as the process it must undertake to incur debt (including capital lease commitments). The legislation limits the borrowings to a percentage of annual sustainable revenues that can be allocated to the servicing of debt, including capital leases. The Village is restricted to allocating 25% of its annual sustainable revenues to the servicing of debt and capital leases with the approval of the electorate, and 5% with the approval of Council. In line with the regulations, the Village's calculated borrowing capacity at the end of December 31, 2012, for a 20 term borrowing, is \$6.6 Million with the approval of the electorate. The Village has surpassed the 5% threshold where Council is able to approve long term borrowing without the assent of the electorate. The Village is also restricted to long term borrowings through the Municipal Finance Authority (MFA), an entity created by the Province to provide the collective financing and investment needs of its member local governments

The Village's debt per capita ratio decreased from to \$1,176 in 2011 to \$1,132 in 2012 based on the 2011 census figures. The debt per capita ratio is higher than the average of \$785 for municipalities of a similar population (between 500 and 3,500) and is reflective of debt undertaken in the last few years to upgrade the Village's roads and water system.

Investment Portfolio

The Village of Lions Bay invests its excess operating and capital funds in accordance with the statutory requirements of the Community Charter. The investment decisions and strategies undertaken are to maximize the return on investment while minimizing portfolio risk, and ensuring that daily and future cash flow requirements are aligned and met.

Generating high returns on investments held in the Village's investment portfolio presented a challenge again in 2012, partly due to continued lower short term rates, but mostly as a result of the Village's continued cash flow strategy that requires the Village to maintain a high level of liquidity to fund working capital requirements. The

investments reported as at December 31, 2012 relate to the grant funds received from the Province of British Columbia for the Community Centre Renewal Project.

Tangible Capital Assets

The Village owns and maintains a significant amount of physical assets comprised of roads, sewer and water systems (reservoirs, pipes, pumps, etc.), equipment, vehicles, parks, facilities, and other amenities. Comparatively, tangible capital assets represent a significant portion of this level of government's assets, and are crucial to the delivery of programs and services, operations and life safety. The collective worth of this equipment and infrastructure at the end of 2012 is estimated to be nearly \$19.9 Million, calculated at historical cost as required by accounting guidelines (PSAB).

Although the historical cost is significant, the replacement cost of the assets would be substantially more. An on-going challenge for the Village will be to continue to annually generate enough external revenues to offset the future amortizations of TCAs. This is a national issue as all municipalities across the Canada struggle with funding to replace aging infrastructure.

Fiscal Capacity

Village Council recognizes that a sustainable community must balance the services, and the level of the services, it delivers with the ability of its residents and businesses to sustain the funding of the services. That balance recognizes that some services need to be sustained and financed by the community at large through taxation to provide equal access by all citizens to ensure the health, safety and well being of the Community; and that some services need to be delivered on a user fee basis to ensure the demand is matched to the willingness to pay, and that a certain portion of the cost is recovered from the users demanding the service.







Independent Auditor's Report

To the Mayor and Councilors of the Village of Lions Bay

We have audited the accompanying financial statements of the Village of Lions Bay, which comprise the Statement of Financial Position as at December 31, 2012, the Statements of Operations, Change in 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 the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the Village of Lions Bay as at December 31, 2012 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

Vancouver, British Columbia May 9, 2013

KDS Canada LLP

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Village of Lions Bay Statement of Cash Flows

For the year ended December 31		2012	2011
Cash provided by (used in)			
Operating transactions Annual surplus	\$	208,247	\$ 110,596
Items not involving cash Amortization expense Gain on disposal of tangible capital assets		450,754 (4,233)	451,832 (4,384)
Changes in non-cash operating balances Accounts receivable Deferred revenue Accounts payable Sick, overtime, wellness and vacation payable Prepaid expenses	_	5,754 418,843 101,902 (25,354) (2,217)	181,182 22,500 (105,224) (21,137) (3,448)
		1,153,696	631,917
Capital transactions Cash used to acquire tangible capital assets Proceeds on sale of tangible capital assets	_	(199,833) 9,500	(1,740,642) 6,500
Cash applied to capital transactions	_	(190,333)	(1,734,142)
Investing transactions Redemption (purchase) of portfolio investments		(46,577)	1,120,908
Financing transactions Repayment of long-term debt principal		(58,039)	(64,967)
Increase (decrease) in cash and equivalents during the year		858,747	(46,284)
Cash and equivalents, beginning of year	_	260,692	306,976
Cash and equivalents, end of year	\$	1,119,439	\$ 260,692
Supplemental information:			
Interest paid on long-term debt	\$	93,494	\$ 86,797

 $The \ accompanying \ summary \ of \ significant \ accounting \ policies \ and \ notes \ are \ an \ integral \ part \ of \ these \ financial \ statements.$

Village of Lions Bay Statement of Operations

For the year ended December 31	2012 Actual	2012 Fiscal Plan (Note 7)	
Revenue Taxation (Note 5) Utility connection fees and user rates Government grants Sale of services Other revenues	\$ 1,305,246 353,314 445,556 251,035 128,344 2,483,495	\$ 1,295,972 353,914 762,267 257,039 198,640 2,867,832	\$ 1,272,086 328,459 977,731 230,485 120,015
Expenses General departmental expenses (Schedule 2) Water system operations Sewer system operations Interest and bank charges Amortization expense	1,399,517 320,487 10,996 93,494 450,754 2,275,248	1,657,954 364,233 57,105 - - 2,079,292	1,563,159 680,536 35,856 86,797 451,832 2,818,180
Annual Surplus	208,247	788,540	110,596
Accumulated Surplus, beginning of year	19,423,504	19,423,504	19,312,908
Accumulated Surplus, end of year	\$19,631,751	\$ 20,212,044	\$ 19,423,504

Village of Lions Bay Statement of Change in Net Debt

For the year ended December 31		2012 Actual	2012 Fiscal Plan	2011 Actual
			(Note 7)	
Annual surplus	\$	208,247 \$	788,540 \$	110,596
Change in Tangible Capital Assets Acquisition of tangible capital assets Amortization of tangible capital assets Gain on disposals of tangible capital assets Proceeds on sale of tangible capital assets		(199,833) 450,754 (4,233) 9,500	(832,963) - - -	(1,740,642) 451,832 (4,384) 6,500
Change in Other Non-Financial Assets Acquisition of prepaid expenses		(2,217)	-	(3,451)
Change in net financial assets (debt) for the year	r	462,218	(44,423)	(1,179,549)
Net financial assets (debt), beginning of year		(719,990)	(719,990)	459,559
Net financial assets (debt), end of year	\$	(257,772) \$	(764,413) \$	(719,990)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Village of Lions Bay Statement of Cash Flows

For the year ended December 31		2012	2011
Cash provided by (used in)			
Operating transactions Annual surplus	\$	208,247	\$ 110,596
Items not involving cash Amortization expense Gain on disposal of tangible capital assets		450,754 (4,233)	451,832 (4,384)
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Capital transactions Cash used to acquire tangible capital assets Proceeds on sale of tangible capital assets		(199,833) 9,500	(1,740,642) 6,500
Cash applied to capital transactions	_	(190,333)	(1,734,142)
Investing transactions Redemption (purchase) of portfolio investments Financing transactions Repayment of long-term debt principal	_	(46,577) (58,039)	1,120,908
Increase (decrease) in cash and equivalents during the year		858,747	(46,284)
Cash and equivalents, beginning of year	_	260,692	306,976
Cash and equivalents, end of year	\$	1,119,439	\$ 260,692
Supplemental information: Interest paid on long-term debt	\$	93,494	\$ 86,797

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

December 31, 2012

The Village is a municipality in the province of British Columbia. The Village prepares its financial statements in accordance with Canadian public sector accounting standards for local government using guidelines developed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Basis of

Presentation These financial statements include the accounts of all the funds of the

Village. Inter-fund transactions and balances have been eliminated.

Cash and Equivalents Cash and equivalents include bank balances and bank term deposits or

guaranteed income certificates with duration of less than three months. All amounts are held at Canadian chartered banks and are

denominated in Canadian dollars.

Portfolio Investments Portfolio investments are recorded at cost and include bank term

deposits or guaranteed income certificates of duration between 3 months to a year. Amounts are denominated in Canadian dollars. Interest paid in the current year was at rates ranging from 1.60% to

1.70% per annum.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is put into use. Contributed tangible capital assets are recorded at fair value at the time of the contribution.

Estimated useful lives of tangible capital assets are as follows:

Land improvements 7 to 40 years **Buildings** 20 to 50 years 25 to 40 years Drainage 5 to 20 years Equipment, Furniture, and Vehicles 5 to 80 years Infrastructure - water Infrastructure - sewer 5 to 100 years Roads 10 to 60 years Other 5 to 60 years

December 31, 2012

Revenue Recognition

Taxes and parcel taxes are recognized as revenue in the year they are levied.

Through the British Columbia Assessments appeal process, taxes may be adjusted by way of supplementary roll adjustments. The effects of these adjustments on taxes are recognized at the time they are awarded. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. Levies imposed for Regional District services and other taxing authorities are not included.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Sales of service and other revenue is recognized on an accrual basis.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. A significant area requiring management estimates relates to the useful life of tangible assets for amortization calculations.

Financial Instruments

The Village's financial instruments consist of cash and equivalents, portfolio investments, accounts receivable, grant receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the Village is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.

1. Deferred Revenue

Deferred revenue consists of a restricted cash donation in the amount of \$1,000 from The Horns Project Productions Ltd. for the beautification of The Village's garden and a deferred grant revenue in the amount of \$440,343 for the community centre renewal capital project with eligibility criteria not being fully met as at December 31, 2012.

2. Long term Debt

Loan Authorization Bylaw No. 353 was adopted on January 20th, 2005 and gave approval for the Village to borrow up to \$250,000 to assist in providing water services to the specified area of Brunswick Beach whose owners had opted to finance their share of costs over twenty years through a local parcel tax. The interest rate is 5.1% and the debt matures in 2025. The balance outstanding under this bylaw at year-end was \$81,403 (2011 - \$85,601).

Loan Authorization Bylaw No. 401 and 374 were respectively adopted on June 2, 2008 and September 19, 2006 and gave approval for the Village to borrow up to \$800,000 and \$600,000 to assist in providing construction improvements to the water system servicing the Village of Lions Bay. The interest rate is 5.15% and the debt matures in 2028. The balance outstanding under the bylaws at year-end was \$1,207,557 (2011 - \$1,253,240).

Loan Authorization Bylaw No. 380 was adopted on September 19, 2006 and gave approval for the Village to borrow up to \$1,300,000 to assist in providing construction improvements to the Village of Lions Bay road system. In 2008, Council reduced the approved borrowing for the bylaw to \$500,000 and \$250,000 was borrowed. The interest rate is 5.15% and the debt matures in 2028. The balance outstanding under this bylaw at year-end was \$215,635 (2011 - \$223,793).

Payments in each of the next five years and on are as follows:

2013	\$ 60,706
2014	60,841
2015	60,980
2016	61,122
2017	61,267
2018 and onwards	1,199,678
	\$ 1,504,594

3. Developer Deposits

Bylaw 330 requires an applicant for certain building permits to pay a damage deposit of \$1,500 when the work is under \$50,000 and \$3,000 when the work is over \$50,000. The deposit less any costs incurred by the Village in restoring or replacing any damaged works or property will be returned to the applicant. The total cash on deposit of \$86,500 (2011 - \$91,000) has not been reported elsewhere in these financial statements because the deposits will be returned to the applicants. Any portion of these deposits used for replacing damaged works or property will be taken into income by the Village at such time.

4. Tangible Capital Assets

rangiste capital rissels			2012	2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$11,150,183	\$ -	\$11,150,183	\$ 11,150,183
Land improvements	147,052	40,051	107,001	108,671
Work In progress - general	114,258	•	114,258	-
Equipment - other	1,527,517	711,400	816,117	875,203
Buildings	1,351,952	767,318	584,634	612,841
Engineering structures	4,445,273	2,287,600	2,157,673	2,273,040
Water supply and distribution	6,702,429	1,992,705	4,709,724	4,852,596
Sewer collection and treatmer	t 421,824	253,368	168,456	190,065
Other Tangible Capital Assets	81,801	6,545	75,256	76,892
	\$25,942,289	\$ 6,058,987	\$19,883,302	\$ 20,139,491

5.	Taxation		Actual 2012	Fiscal Plan 2012	Actual 2011		
	General purposes Collections for other governments	\$	1,082,576	\$ -	\$ 1,049,532		
	School and RCMP - Province		882,536	-	966,065		
	Greater Vancouver Transportation Authority		196,341	-	222,262		
	Municipal Finance Authority		120	-	126		
	British Columbia Assessment Authority		36,155	-	39,363		
			2,197,728	-	2,277,348		
	Transfers						
	Regional District		34,804	-	41,764		
	Province of British Columbia		847,732	-	924,315		
	Greater Vancouver Transportation Authority		196,341	-	222,350		
	Municipal Finance Authority		120	-	126		
	British Columbia Assessment Authority	_	36,155	-	39,379		
			1,115,152	-	1,227,934		
	Available for general purposes		1,082,576	1,073,302	1,049,414		
	Water utility parcel taxes		203,670	203,670	203,670		
	Sewer utility parcel taxes	_	19,000	19,000	19,000		
		\$	1,305,246	\$ 1,295,972	\$ 1,272,084		

6. Contingent Liabilities and Commitments

- (a) The Village is responsible as a member of the Greater Vancouver Regional District for its portion of any operating deficits or capital debt related to functions in which it participates.
- (b) The Village partially insures itself through the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible that the Village along with the other participants, would be required to contribute towards the deficit.
- (c) The Village may be subject to litigation in regard to employment matters. In addition, the Village is from time to time involved in other lawsuits. The Village vigorously defends any such claims. At December 31, 2012 there is not sufficient information available to allow the Village to make a reasonable estimate of the potential for loss, if any, resulting from outstanding matters. Accordingly, these financial statements contain no provision for such amounts. Amounts will be recorded in the financial statements in the period in which additional information becomes available that allows a reasonable estimate to be made.

7. Fiscal Plan

Fiscal plan amounts represent the Financial Plan By-Law adopted by Council on May 7, 2012 with estimates for items treated differently under PSAB accounting.

The Financial Plan anticipated use of surpluses accumulated in previous years to balance against current year expenditures in excess of current year revenues. In addition, the Financial Plan anticipated capital expenditures rather than amortization expense and repayment of debt during the year.

The following shows how these amounts were combined:

	_	2012
Financial Plan Bylaw surplus for the year Add back:	\$	-
Capital expenditures Repayment of Debt		832,963 128,773
Less: Budgeted transfers from accumulated surplus		(173,196)
	\$	788,540

8. Pension Plan

The Village and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly-trusteed pension plan. The Plan's 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 the benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009 indicates a unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. As of May 1, 2013, the results have not been released. The actuary does not attribute portions of the unfunded liability to individual employers. The Village paid \$25,502 (2011 - \$35,213) for employer contributions to the plan in the year ended December 31, 2012 while employee contributions totaled \$22,063 (2011 - \$32,671).

9. Subsequent Events

On April 3, 2012 the Village entered into a Sale and Purchase Agreement with a third party for the disposal of a parcel of its land held under the title No. BB4054098 for a sales price of \$48,000. The title of the land was transferred to the third party on January 25, 2013.

10. Accumulated Surplus

The components of accumulated surplus are as follows:

·	2012	2011			
Invested in tangible capital assets Reserve funds Unrestricted amounts	\$18,492,966 464,109 <u>674,676</u>	\$ 18,576,858 571,227 275,419			
	\$19,631,751	19,423,504			

The decrease in reserve funds in the current year of \$107,118 is the result of \$114,258 of the reserves being used for the community centre renewal capital cost in 2012 with the balance of \$7,140 representing interest credited to reserve funds for the year.

For the year ended December 31, 2012

	overnment Services	Protective Services	Tra	insportation	 vironment Heath Services	an	ecreation al d Cultural Services	Fiscal Services	Water Utility	Sewer Utility	Unallocated	2012 Actual	2012 Fiscal Pl	
Revenues General taxes Utility charges Government grants - Federal Government grants - Provincial Sales of services Other revenue	\$ - - - - - 15,279	\$ 23,639 - 47,797	\$	- - - - -	\$ 214,573	\$	850 - 32,150	\$ - - - - - 65,269	\$ 203,670 320,914 - - -	\$ 19,000 32,400 - - -	\$ 1,082,576 - - 421,067 4,311	\$ 1,305,246 353,314 850 444,706 251,034 128,345	\$ 1,295,9 353,9 8 761,4 257,0 198,6	914 850 417 039
	15,279	71,436		-	214,573		33,000	65,269	524,584	51,400	1,507,954	2,483,495	2,867,8	832
Expenses Operating Goods and services Labour Amortization	206,267 264,560 286,274	210,142 23,641		127,968 265,939 -	184,099 4,500		62,056 50,345	- - -	211,992 108,495 142,871	10,765 231 21,609		1,013,289 717,711 450,754	1,279,5 799,7	
Interest	757,101 -	233,783		393,907	188,599		112,401	:	463,358	32,605	93,494	2,181,754 93,494	2,079,2	292 -
	757,101	233,783		393,907	188,599		112,401	-	463,358	32,605	93,494	2,275,248	2,079,2	292
Excess (deficiency) in revenues over expenses	\$ (741,822)	\$ (162,347)	\$	(393,907)	\$ 25,974	\$	(79,401)	\$ 65,269	\$ 61,226	\$ 18,795	\$ 1,414,460	\$ 208,247	\$ 788,5	540

Village of Lions Bay Schedule 2 - General Departmental Expenses

For the year ended December 31		2012 Actual	2012 Fiscal Plan	2011 Actual
			(Note 7)	
General Government				
Administrative and financial management Professional fees Insurance Workers' Compensation	\$	350,630 86,676 30,265 4,537	\$ - - - -	\$ 350,809 61,813 30,257 4,917
		472,108	512,039	447,796
Protective Services Fire protection Building inspection Bylaw enforcement and dog control Emergency social services		193,584 19,086 10,424 9,740	- - -	170,468 17,238 19,188 10,324
o.goe, occiacioneo		,	222 450	· ·
		232,834	222,150	217,218
Transportation Supplies and equipment operation Works yard and shop Road maintenance	_	59,171 311,795 22,942 393,908	- - - 493,946	76,764 346,809 90,373 513,946
Environmental Health Services Garbage, waste and recycling		188,920	214,918	220,315
Recreation and Cultural Services General Programs Community complex Library Landscaping Cultural Events	_	55,805 27,648 16,042 1,849 9,613 790	- - - - - 214,901	87,302 22,861 18,663 1,729 29,892 3,437
Total general departmental expenses	\$	1,399,517	\$ 1,657,954	\$ 1,563,159

For the year ended December 31, 2012

	Land	Buildings	Equipment & Furniture & Vehicle In	Land nprovements	Water	Sewer	Roads	Storm Sewer	Other	WIP - General	2012 Total	
Cost, beginning of year	\$ 11,150,183	\$ 1,351,952	\$ 1,484,048 \$	141,496 \$	6,702,430 \$	421,824 \$	4,343,823	98,100 \$	81,801	\$ -	\$25,775,657	\$ 24,045,598
Additions	-	-	76,669	5,556		-	-	3,350		114,258	199,833	1,846,974
Disposals			(33,200)		-	-	-		-		(33,200)	(116,915)
Cost, end of year	11,150,183	1,351,952	1,527,517	147,052	6,702,430	421,824	4,343,823	101,450	81,801	114,258	25,942,290	25,775,657
Accumulated amortization, beginning of year		739.111	608,846	32,825	1,849,834	231,759	2,099,807	69,076	4,909		5,636,167	5,192,802
Amortization	_	28,207	130,488	7,226	142,871	21,609	116,807	1,910	1,636	_	450,754	451,832
Disposals		-	(27,933)		- 12,071	-	-	-	-		(27,933)	•
Accumulated amortization, end of year		767,318	711,401	40,051	1,992,705	253,368	2,216,614	70,986	6,545		6,058,988	5,636,167
Net carrying amount, end of year	\$ 11,150,183	\$ 584,634	\$ 816,116 \$	107,001 \$	4,709,725 \$	168,456 \$	2,127,209	\$ 30,464 \$	75,256	\$ 114,258	\$19,883,302	\$ 20,139,490



Village of Lions Bay

400 Centre Road | Lions Bay, BC PO Box 141 | V0N 2E0 www.lionsbay.ca