

Village of Lions Bay
Financial Statements
For the year ended December 31, 2012

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For the year ended December 31, 2012

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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

**Village of Lions Bay
Statement of Financial Position**

December 31	2012	2011
Financial Assets		
Cash and equivalents	\$ 1,119,439	\$ 260,691
Portfolio investments	449,885	403,308
Accounts receivable	426,233	342,359
Grant receivable - Province of British Columbia	7,383	97,014
	<u>2,002,940</u>	<u>1,103,372</u>
Liabilities		
Accounts payable	276,094	174,194
Deferred revenue (Note 1)	441,343	22,500
Sick, overtime, wellness and vacation payable	38,681	64,035
Long term debt (Note 2)	1,504,594	1,562,633
	<u>2,260,712</u>	<u>1,823,362</u>
Net Debt	<u>(257,772)</u>	<u>(719,990)</u>
Non-Financial Assets		
Tangible capital assets (Note 4)	19,883,302	20,139,491
Prepaid expenses	6,221	4,003
	<u>19,889,523</u>	<u>20,143,494</u>
Accumulated Surplus (Note 10)	<u>\$19,631,751</u>	<u>\$ 19,423,504</u>

Approved by Council:

**Village of Lions Bay
Statement of Operations**

For the year ended December 31	2012 Actual	2012 Fiscal Plan	2011 Actual
		(Note 7)	
Revenue			
Taxation (Note 5)	\$ 1,305,246	\$ 1,295,972	\$ 1,272,086
Utility connection fees and user rates	353,314	353,914	328,459
Government grants	445,556	762,267	977,731
Sale of services	251,035	257,039	230,485
Other revenues	128,344	198,640	120,015
	<u>2,483,495</u>	<u>2,867,832</u>	<u>2,928,776</u>
Expenses			
General departmental expenses (Schedule 2)	1,399,517	1,657,954	1,563,159
Water system operations	320,487	364,233	680,536
Sewer system operations	10,996	57,105	35,856
Interest and bank charges	93,494	-	86,797
Amortization expense	450,754	-	451,832
	<u>2,275,248</u>	<u>2,079,292</u>	<u>2,818,180</u>
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	(199,833)	(832,963)	(1,740,642)
Amortization of tangible capital assets	450,754	-	451,832
Gain on disposals of tangible capital assets	(4,233)	-	(4,384)
Proceeds on sale of tangible capital assets	9,500	-	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	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)

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	450,754	451,832
Gain on disposal of tangible capital assets	(4,233)	(4,384)
Changes in non-cash operating balances		
Accounts receivable	5,754	181,182
Deferred revenue	418,843	22,500
Accounts payable	101,902	(105,224)
Sick, overtime, wellness and vacation payable	(25,354)	(21,137)
Prepaid expenses	(2,217)	(3,448)
	<u>1,153,696</u>	<u>631,917</u>
Capital transactions		
Cash used to acquire tangible capital assets	(199,833)	(1,740,642)
Proceeds on sale of tangible capital assets	9,500	6,500
	<u>(190,333)</u>	<u>(1,734,142)</u>
Cash applied to capital transactions		
Investing transactions		
Redemption (purchase) of portfolio investments	<u>(46,577)</u>	<u>1,120,908</u>
Financing transactions		
Repayment of long-term debt principal	<u>(58,039)</u>	<u>(64,967)</u>
Increase (decrease) in cash and equivalents during the year	858,747	(46,284)
Cash and equivalents, beginning of year	<u>260,692</u>	<u>306,976</u>
Cash and equivalents, end of year	<u>\$ 1,119,439</u>	<u>\$ 260,692</u>
Supplemental information:		
Interest paid on long-term debt	\$ 93,494	\$ 86,797

Village of Lions Bay
Summary of Significant Accounting Policies

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
Drainage	25 to 40 years
Equipment, Furniture, and Vehicles	5 to 20 years
Infrastructure - water	5 to 80 years
Infrastructure - sewer	5 to 100 years
Roads	10 to 60 years
Other	5 to 60 years

Village of Lions Bay
Summary of Significant Accounting Policies

December 31, 2012

Revenue Recognition	<p>Taxes and parcel taxes are recognized as revenue in the year they are levied.</p> <p>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.</p> <p>Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.</p> <p>Sales of service and other revenue is recognized on an accrual basis.</p>
Use of Estimates	<p>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.</p>
Financial Instruments	<p>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.</p>
Deferred Revenue	<p>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.</p>

Village of Lions Bay
Notes to Financial Statements

December 31, 2012

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		<u>1,199,678</u>
	\$	<u>1,504,594</u>

Village of Lions Bay
Notes to Financial Statements

December 31, 2012

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

			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 treatment	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

Village of Lions Bay
Notes to Financial Statements

December 31, 2012

5. Taxation

	Actual 2012	Fiscal Plan 2012	Actual 2011
General purposes	\$ 1,082,576	\$ -	\$ 1,049,532
Collections for other governments			
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
	<u>2,197,728</u>	-	<u>2,277,348</u>
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
	<u>1,115,152</u>	-	<u>1,227,934</u>
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
	<u>\$ 1,305,246</u>	<u>\$ 1,295,972</u>	<u>\$ 1,272,084</u>

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.

Village of Lions Bay
Notes to Financial Statements

December 31, 2012

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:

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

8. Pension Plan

The Village and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly-trusted 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).

Village of Lions Bay
Notes to Financial Statements

December 31, 2012

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:

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

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.

Village of Lions Bay
Schedule 1 - Statement of Operations by Segment

For the year ended December 31, 2012

	Government Services	Protective Services	Transportation	Environment Health Services	Recreational and Cultural Services	Fiscal Services	Water Utility	Sewer Utility	Unallocated	2012 Actual	2012 Fiscal Plan
Revenues											
General taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,670	\$ 19,000	\$ 1,082,576	\$ 1,305,246	\$ 1,295,972
Utility charges	-	-	-	-	-	-	320,914	32,400	-	353,314	353,914
Government grants - Federal	-	-	-	-	850	-	-	-	-	850	850
Government grants - Provincial	-	23,639	-	-	-	-	-	-	421,067	444,706	761,417
Sales of services	-	-	-	214,573	32,150	-	-	-	4,311	251,034	257,039
Other revenue	15,279	47,797	-	-	-	65,269	-	-	-	128,345	198,640
	<u>15,279</u>	<u>71,436</u>	<u>-</u>	<u>214,573</u>	<u>33,000</u>	<u>65,269</u>	<u>524,584</u>	<u>51,400</u>	<u>1,507,954</u>	<u>2,483,495</u>	<u>2,867,832</u>
Expenses											
Operating											
Goods and services	206,267	210,142	127,968	184,099	62,056	-	211,992	10,765	-	1,013,289	1,279,509
Labour	264,560	23,641	265,939	4,500	50,345	-	108,495	231	-	717,711	799,783
Amortization	286,274	-	-	-	-	-	142,871	21,609	-	450,754	-
	<u>757,101</u>	<u>233,783</u>	<u>393,907</u>	<u>188,599</u>	<u>112,401</u>	<u>-</u>	<u>463,358</u>	<u>32,605</u>	<u>-</u>	<u>2,181,754</u>	<u>2,079,292</u>
Interest	-	-	-	-	-	-	-	-	93,494	93,494	-
	<u>757,101</u>	<u>233,783</u>	<u>393,907</u>	<u>188,599</u>	<u>112,401</u>	<u>-</u>	<u>463,358</u>	<u>32,605</u>	<u>93,494</u>	<u>2,275,248</u>	<u>2,079,292</u>
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	\$ 788,540

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	\$ 350,630	\$ -	\$ 350,809
Professional fees	86,676	-	61,813
Insurance	30,265	-	30,257
Workers' Compensation	4,537	-	4,917
	<u>472,108</u>	<u>512,039</u>	<u>447,796</u>
Protective Services			
Fire protection	193,584	-	170,468
Building inspection	19,086	-	17,238
Bylaw enforcement and dog control	10,424	-	19,188
Emergency social services	9,740	-	10,324
	<u>232,834</u>	<u>222,150</u>	<u>217,218</u>
Transportation			
Supplies and equipment operation	59,171	-	76,764
Works yard and shop	311,795	-	346,809
Road maintenance	22,942	-	90,373
	<u>393,908</u>	<u>493,946</u>	<u>513,946</u>
Environmental Health Services			
Garbage, waste and recycling	<u>188,920</u>	<u>214,918</u>	<u>220,315</u>
Recreation and Cultural Services			
General	55,805	-	87,302
Programs	27,648	-	22,861
Community complex	16,042	-	18,663
Library	1,849	-	1,729
Landscaping	9,613	-	29,892
Cultural Events	790	-	3,437
	<u>111,747</u>	<u>214,901</u>	<u>163,884</u>
Total general departmental expenses	\$ 1,399,517	\$ 1,657,954	\$ 1,563,159

Village of Lions Bay
Schedule 3 - Tangible Capital Assets

For the year ended December 31, 2012

	Land	Buildings	Equipment & Furniture & Vehicle	Land Improvements	Water	Sewer	Roads	Storm Sewer	Other	WIP - General	2012 Total	2011 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 Disposals	-	28,207	130,488	7,226	142,871	21,609	116,807	1,910	1,636	-	450,754	451,832
	-	-	(27,933)	-	-	-	-	-	-	-	(27,933)	(8,467)
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