



THE MUNICIPALITY OF THE VILLAGE OF LIONS BAY

**COUNCIL STRATEGY COMMITTEE (COTW)
OF THE VILLAGE OF LIONS BAY
HELD ON TUESDAY, MAY 5, 2015 at 3:00 PM
COUNCIL CHAMBERS, 400 CENTRE ROAD, LIONS BAY**

AGENDA

- 1. Call to Order**
- 2. Approval of Agenda**
- 3. Public Participation**
- 4. Adoption of Minutes**
 - A. April 21, 2015 – Council Strategy Committee Meeting (Page 3)
- 5. Business Arising from the Minutes**
 - A. Action Items Report – April 7, 2015 (Page 9)
- 6. Unfinished Business**
- 7. New Business**
 - A. Audit Report – Bill Cox, BDO Canada Ltd. (Page 11)
- 8. Public Questions & Comments**
- 9. Resolution to Close Meeting**

BE IT RESOLVED THAT the Village of Lions Bay Council does close the May 5, 2015 Council Strategy Committee (COTW) Meeting to the public on the basis of matters to be considered under the following section(s) of the *Community Charter*:

90 (1) A part of a council meeting may be closed to the public if the subject matter being considered relates to or is one or more of the following:

 - c) labour relations or other employee relations;
 - l) discussions with municipal officers and employees respecting municipal objectives, measures and progress reports for the purposes of preparing an annual report under section 98 [*annual municipal report*].
- 10. Reporting Out from Closed Session**
- 11. Adjournment**

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THE MUNICIPALITY OF THE VILLAGE OF LIONS BAY

COUNCIL STRATEGY COMMITTEE (COTW)

OF THE VILLAGE OF LIONS BAY

HELD ON TUESDAY, APRIL 21, 2015, at 3:00 PM

VILLAGE HALL, 400 CENTRE ROAD, LIONS BAY

MINUTES

In Attendance:

- Mayor Karl Buhr
- Councillor Fred Bain
- Councillor Jim Hughes
- Councillor Ron McLaughlin
- Councillor Helen Waterson
- Chief Administrative Officer Mandy Giesbrecht
- Chief Financial Officer Pamela Rooke
- Accounting Clerk Hayley Cook
- Office Coordinator Shawna Gilroy (Recorder)

Attendees in Gallery: 2

1. Call to Order

Mayor Buhr called the meeting to order at 3:03 p.m.

2. Approval of Agenda

- Add item 8I – Oceanview Road Beautification Update
- Add item 8J – Lions Bay Facebook Page

Moved/Seconded

BE IT RESOLVED THAT the Village of Lions Bay Council approves the Agenda of the April 21, 2015 Council Strategy Committee (COTW) meeting, as amended.

CARRIED

3. Public Participation

A. Mrs. Ruth Simons

Mrs. Simons spoke on behalf of the BCEAO Working Group Committee and provided Council with an update on Woodfibre LNG, handing out a written report which reflected the points she spoke to.

4. Delegations

5. Adoption of Minutes

- Item 5A and 5B – strike the second sentence in 5B and bring the second sentence of 5A down to the end of 5B.
- Item 7A – remove the words “and explained” from the second sentence.

- Item 7L – change the first sentence “discussed posting” to say “agreed to post”.
- Item 7F – add action item to say “Council to refer to Regular Council Meeting for resolution of support”.
- Item 7K – add action item “Council decided to bring a resolution to waive the parking fees forward at the Regular Council Meeting”.
- Item 9 – remove item 9 “In Camera Resolution”.

Moved/Seconded

BE IT RESOLVED THAT the Village of Lions Bay Council adopts the Minutes of the April 7, 2015 Council Strategy Committee (COTW) meeting, as amended.

CARRIED

6. Business Arising from the Minutes

Council reviewed the action items from the minutes. The following action items will be carried over to the May 19, 2015 Council Strategy Committee Meeting:

- Both action items under item 7D: Bear Smart Committee
- Item 7F: I Love Lions Bay Day and Other Community Building Initiatives
- Item 7H: Storage at the Hall

7. Unfinished Business

A. Community Centre Renewal Cost Report

Ms. Cook and CFO Rooke briefed on the Community Centre Renewal Cost Report. The new accessibility walkway was accounted for, in part, under the Age Friendly Grant which will be added to the report.

ACTION: Staff to add additional details to the report before releasing it publicly.

ACTION: CAO Giesbrecht to review the periodic grant reports to establish whether it is reasonable to release them publicly with the costing report.

B. Trail Clean Up and Volunteer Day

Council discussed what the trail clean up and volunteer day on June 20, 2015 entails. Council will need to allocate a budget to assist in the trail clean-up day for supplies and machinery and discussed where funding could come from.

Mayor Buhr also cited that he put out a call for donations for the school field maintenance, which has raised approximately \$1200 so far. The soil will be spread over the field this Friday, April 24th therefore the BBQ and volunteer support for this event has been cancelled, however the volunteers are encouraged to help at trail clean-up day on June 20, 2015 instead.

ACTION: CAO Giesbrecht to set up a meeting with herself, Mayor Buhr, Councillor Waterson and John Dudley regarding trail clean-up day.

ACTION: Mayor Buhr to write a message in this Friday's Weekly Village News about the volunteer support and BBQ cancellation this Saturday at the school field.

C. I Love Lions Bay Photo Competition Update

Councillor Waterson shared the poster she created for the upcoming I Love Lions Bay Photo Competition which will be launched May 1, 2015.

ACTION: Staff to add to the Weekly Village News a call for volunteer help with regards to setting up the Rules and Regulations for the competition.

D. Council Priority List

The updated Council Priority List will be adopted at the next Regular Council Meeting.

E. Storage at the Village Hall

The storage shed has been purchased and a CSR has been sent to Public Works to have it built as time permits in their schedule.

F. Lions Bay Historical Society – Memorial Garden

Council was reminded that the Historical Society will bring forward a proposal for the Memorial Garden once it has been prepared.

ACTION: Councillor Waterson will follow up with the Historical Society to find out if they will still bring forward a proposal.

8. New Business

A. Signage at Lions Bay Beach Septic System

Mayor Buhr described what the signage at Lions Bay Beach Septic System will look like. He suggested this item be brought forward for resolution at the Regular Council Meeting with costs to be realized from funds left over from the septic system project. Staff confirmed that there was no budget left over to allocate to this.

B. Logs at Lions Bay Beach and Kelvin Grove Beach

Council discussed a responsible disposal method of the logs at Lions Bay Beach and Kelvin Grove Beach which tend to wash up on the shore. In the past the logs at Lions Bay Beach Park have been towed out to sea and set afloat; there is no budget for log removal at Kelvin Grove Beach. It was decided that they will be removed at Lions Bay Beach only due to cost. A formal resolution will be brought forward at the Regular Council Meeting.

ACTION: This item will be brought forward for resolution at the Regular Council Meeting.

C. Rock Removal at Lions Bay Beach

Council expressed concern at the number of large sharp rocks which have accumulated at the Lions Bay Beach Park and recommend that staff source costing information to address this issue. A resolution will be brought forward to the Regular Council Meeting for endorsement.

ACTION: This item will be brought forward for resolution at the Regular Council Meeting.

D. Parking Signage at Lions Bay Beach, Brunswick Beach and Kelvin Grove Beach

Council discussed the concern of parking signage at the three Lions Bay beaches and whether or not there needs to be more signage for clarity to visitors, if the current signage with bylaw enforcement will suffice, or whether more prominent signage notifying that parking in prohibited areas will result in being towed.

ACTION: CAO Giesbrecht to pull the previous reports that went to the last Council and circulate them to Council.

ACTION: CAO Giesbrecht to research Payless Towing's contract for clarity on towing with or without a bylaw enforcement ticket.

E. Data Logging at Magnesia and Harvey Water Reservoirs

Council discussed implementing suitable data logging equipment in order to collect data of potable water supply and consumption characteristics. A recommendation will be brought forward at the Regular Council Meeting.

ACTION: The on-table Potable Water System report will be brought forward to the Regular Council Meeting for resolution.

F. Outdoor Water Use Bylaw Discussion

Council discussed bypassing the Bylaw and Policy Review Committee and taking the Outdoor Water Use Bylaw straight to Council. Staff recommended bringing it forward for first and second reading at the May 5, 2015 Regular Council Meeting and then referring it to the Bylaw and Policy Review Committee for further review.

ACTION: This item will be brought forward for resolution at the May 5, 2015 Regular Council Meeting.

G. Bear Smart Award – Permanent Home for Steel "Bear"

Council decided that the steel bear, which is temporarily situated at the Lions Bay General Store, could be placed at the front of the Village office where the round Village Office sign is.

ACTION: Staff will clarify that the steel bear can be secured into the suggested area.

H. May 1st Flower Pot Day

Councillor Waterson sought support from Council to promote May 1st Flower Pot Day which will be sent out in the Weekly Village News. Councillor Waterson will provide staff with a poster to be circulated with this week's Weekly Village News.

ACTION: Staff to attach the Flower Pot Day poster to Friday's Weekly Village News.

I. Oceanview Road Beautification Update

Councillor McLaughlin updated Council on the beautification project which will take place on May 23, 2015.

J. Lions Bay Facebook Page

Councillor Waterson reported to Council that the local youth have set up a Lions Bay Facebook page. The Events Committee have also set up a “Lions Bay Community Happenings” Facebook page. Councillor Waterson hopes to promote both pages in some way.

ACTION: Councillor Waterson to send the Facebook links the Office Coordinator, who will add them to the Weekly Village News.

9. Public Questions & Comments

10. Adjournment

Mayor Buhr adjourned the April 21, 2015 Council Strategy Committee (COTW) meeting at 4:53 p.m.

Mayor

CAO

Date Adopted by Council:	
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THE MUNICIPALITY OF THE VILLAGE OF LIONS BAY

Type	Report to Council		
Title	Business Arising from Minutes – Action Items Carried Over from Previous Meetings		
Author	S. Gilroy	Reviewed By:	M. Giesbrecht
Date	April 23, 2015	Version	
Issued for	May 5, 2015 Council Strategy Committee (COTW) Meeting		

For Council's review, these are the action items carried over from previous Council meetings. Note, this list does not include action items from the immediately preceding meeting which are contained in the DRAFT minutes of this Council package.

Meeting Date	Action Item Details
April 7, 2015	<i>7C: Nomination of Some Basic Metrics and KPI Reporting</i> Mayor Buhr will send a note out to Council to have each member come up with three ideas to bring back to the table in a months' time.
April 7, 2015	<i>7D: Bear Smart Committee</i> Mayor Buhr will bring forward the nomination of Chair of the Bear Smart Committee at the May 5, 2015 Regular Council Meeting.
April 7, 2015	<i>7D: Bear Smart Committee</i> Mayor Buhr to draft a response to Mrs. Rodger's submission.
April 7, 2015	<i>7H: Storage at the Hall</i> CAO Koonts to ask Public Works Manager Nikii Hoglund to view the space outside of the Village Hall for placement of the shed to utilize as little patio space as possible.

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THE MUNICIPALITY OF THE VILLAGE OF LIONS BAY

Village of Lions Bay Audit Results and Communications

Report to the Mayor and Council

For the fiscal year ended December 31, 2014



Direct Line: 604-443-4716
E-mail: bcox@bdo.ca

May 1, 2015

Mayor and Council
Village of Lions Bay
400 Centre Road
Lions Bay, BC
V0N 2E0

Dear Mayor and Council Members:

We are pleased to present the results of our audit of the financial statements of the Village of Lions Bay (the "Village") for the year ended December 31, 2014. The purpose of our report is to summarize certain aspects of the audit that we believe to be of interest to the Mayor and Council should be read in conjunction with the draft financial statements.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Mayor and Council in fulfilling its responsibilities.

This report has been prepared solely for the use of the Mayor and Council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our appreciation for the co-operation we received during the audit from the Village's management and staff that assisted us in carrying out our work. We look forward to discussing the contents of this report and any other matters that you consider appropriate.

Yours truly,

Bill Cox, CPA, FCA
Partner through a corporation
BDO Canada LLP
Chartered Accountants

BC/cs

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EXECUTIVE SUMMARY

Audit Results	Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance as to whether the financial statements are free of material misstatement. A detailed description of our audit results has been included on page 7.
Status of Audit	As of the date of this final report, we have substantially completed our audit of the December 31, 2014 financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the financial statements: • Receipt of the signed management representation letter • Subsequent events review through to financial statement approval date • Approval of financial statements by Council
Audit Risks	In accordance with our audit plan, our procedures focused on the following areas that we identified as containing risks of material misstatements: • Recognition of Revenue • Tangible Capital Assets and Accumulated Amortization • Employee future benefit • Management override of controls • Staff salaries We have summarized the results of our audit procedures for each of these risk areas, beginning on page 7 of this report.
Internal Control Over Financial Reporting	We did not identify any significant deficiencies in internal controls over financial reporting during the year ended December 31, 2014 that we considered to be material weaknesses.
Fraud and Illegal Activities	We developed procedures within our audit plan as recommended by CAS 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements. Based on these procedures, we have not encountered any illegal activities or fraudulent events with respect to the Village.
Significant Events	As of the date of this letter, we have not identified any significant events which we believe should be brought to your attention.
Significant Accounting Policies	The Village's significant accounting policies are listed in the financial statements. We believe management's selection of accounting policies is appropriate under Canadian public sector accounting standards.

Estimates	Accounting estimates are an integral part of the financial statements and are based on management's current judgments. These judgments are based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards. Our comments on the significant estimates included in the financial statements are included on page 10 of this report.
Materiality, Audit Adjustments and Unadjusted Differences	Our final materiality level of \$55,000 remained unchanged from our planning materiality in our audit planning letter presented to the Audit and Finance Committee and Council on February 5, 2015. The effect on annual surplus for unadjusted misstatements for the year ended December 31, 2014 totaled \$7,317. A summary of these items is included in Appendix C. A summary of the year-end audit adjustments approved by management, including the impact on the annual surplus of the Village, are included in Appendix D.
Disclosures	There are no material omissions with respect to the disclosures in the financial statements for the year ended December 31, 2014 that we have noted.
Independence	We have developed appropriate safeguards and procedures to mitigate threats to our independence. Canadian generally accepted auditing standards (GAAS) no longer require that we communicate formally to you in regard to independence matters; however, we consider it to be a good practice. As such, we would report to you regarding all relationships between the Village and our firm that, in our professional judgment, may reasonably be thought to bear on our independence. We confirmed our independence to the Mayor and Council for the year ended December 31, 2014 in our Planning Report dated February 5, 2015. We confirm that we are still independent as of the date of this letter.
Representation Letter	A draft version of the representation letter to be signed by management is included in Appendix E.
Conclusion	We intend to issue an unmodified audit report on the financial statements for the year ended December 31, 2014 once the outstanding items referred to above are satisfactorily resolved and the financial statements are approved the Council.

INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards (GAAS) no longer require that we communicate formally to you in regard to independence matters; however, we consider it to be a good practice. As such, we would report to you regarding all relationships between the Village and our firm that, in our professional judgment, may reasonably be thought to bear on our independence. We have confirmed our independence to the Mayor and Council for the year ended December 31, 2014 in our Planning Report dated February 5, 2015. We confirm that we are still independent as of the date of this letter.

MATERIALITY

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We communicated to you our planning materiality levels in our Planning Report to the Mayor and Council. Our materiality levels have changed slightly from our audit planning letter presented to the Mayor and Council on February 5, 2015. Final materiality was \$55,000 based on 2% of normalized revenues averaged over 2 years.

In Appendix C, we have communicated all corrected and uncorrected misstatements identified during our audit to the Mayor and Council, other than those which we determine to be "clearly trivial". Misstatements are considered to be clearly trivial for purposes of the audit when they are inconsequential both individually and in aggregate. See Appendix C for the unadjusted differences noted during the audit.

AUDIT FINDINGS

Based on our knowledge of the Village's operations, our past experience in this area, and knowledge gained from management and the Council, we have identified the following significant risks; those risks of material misstatement that, in our judgment, require special audit consideration.

Significant risks arise mainly because of the complexity of the accounting rules, the extent of estimation and judgment involved in the valuation of these financial statement areas, and the existence of new accounting pronouncements that affect them.

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Village's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

ACCOUNTING AND AUDIT MATTERS

Revenue Recognition

Risk	Approach	Results
Accounting standards have changed in this area and are complex and open to interpretation. There is a risk that revenue may be incorrectly deferred into future periods.	Verified a sample of deferred revenue balances by examining supporting documentation to validate the accounting treatment. Reviewed the agreements to ensure that revenue is being recognized in accordance with latest revenue recognition standards. Reviewed minutes to determine whether any contributions received should be deferred and whether any grants had not yet been recorded.	All audit testing in this area was executed as planned and no errors were noted.

Tangible Capital Assets and Accumulated Amortization

Risk	Approach	Results
More than 5 years have passed since original estimates were made of the useful lives of tangible capital assets owned by the Village and estimates will need to be re-evaluated to determine if they are still accurate. This involves a high level of estimation and coordination of the finance department with other departments.	We performed tests of control for appropriate authorization of purchases combined with substantive testing of additions and disposals and amortization calculations. Useful lives of existing assets were reviewed.	All audit testing in this area was executed as planned and no errors were noted.

Employee Future Benefits

Risk	Approach	Results
Since the Village does not have an actuary to evaluate its sick pay liability there is a risk that the accrued liability at year-end is not appropriately accounted for at year-end.	We recalculated the amount accrued at year-end, confirmed rates used for calculation, and reviewed the underlying data to determine overall reasonableness of accrued liability.	The audit testing noted the Village is accruing for the entire amount of sick pay however this would overstate the liability as it is not expected that all employees will use all of the sick time in the next year. The estimated amount of sick time payable in the current year has been accounted for on Appendix C- Unadjusted Differences.

Management Override of Controls

Risk	Approach	Results
Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. [This risk is required for all audits pursuant to Canadian audit standards.]	We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.	All audit testing in this area was executed as planned and no errors were noted.

Staff Salaries

Risk	Approach	Results
A significant single type of expenditure that cover many employees and departments. As a municipality, this figure is often of particular interest to financial statement users (taxpayers).	We applied computer audit testing to analyze all payroll transactions in the year. We performed system testing and analytical review of staff salaries.	All audit testing in this area was executed as planned and no errors were noted.

SIGNIFICANT ACCOUNTING ESTIMATES

Management is responsible for determining the Village's significant accounting policies. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the organization. The application of those policies often involves significant estimates and judgments by management.

Accounting Policy for Revenue Recognition for Gas Tax Funds:

We reviewed the revised Federal Gas Tax Agreement as well as the associated administrative guidance for eligible expenditures. Canadian public sector accounting standards requires government transfers to be recognized once the stipulations in the agreement that create liabilities have been met. There is discretion as to when such stipulations are considered to be met. Management has taken the position that there is no stipulation which creates liability related to these funds. Therefore the amounts have been fully recognized as revenue. This treatment is acceptable.

Based on the audit work that we have performed, it is our opinion that the estimates in the financial statements are reasonable and the disclosures relating to accounting estimates are in accordance with Canadian public sector accounting standards.

UNADJUSTED DIFFERENCES

For purposes of our discussion, a summary of unadjusted differences has been presented in Appendix C.

AUDIT ADJUSTMENTS

Year -end audit adjustments were discussed with management and approved before the release of the draft financial statements. A summary of these adjustments is included in Appendix D.

MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented in our audit working papers through memoranda of discussions with management, as well as by written representations received from management. A copy of the representation letter we have requested from management is included in Appendix E of this report.

Draft

FRAUD DISCUSSION

Canadian auditing standards require us to discuss fraud risk with the Mayor and Council on an annual basis. We discussed it in our Planning Report dated February 5, 2015. Currently, we are not aware of any actual, suspected or alleged fraud. If you are aware of any instances of actual, suspected or alleged fraud affecting the Village since the date of our previous discussion, please advise us at bcox@bdo.ca.

AUDITOR'S RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During our audit, we performed the following procedures in order to fulfill our responsibilities:

- Inquire of management, Council, and others related to any knowledge of fraud, suspected fraud or alleged fraud;
- Perform disaggregated analytical procedures and consider unusual or unexpected relationships identified in the planning of our audit;
- Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- Perform additional required procedures to address the risk of management's override of controls including:
 - o Testing internal controls designed to prevent and detect fraud;
 - o Examine a sample of journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
 - o Review accounting estimates for biases that could result in material misstatements due to fraud, including a retrospective review of significant prior years' estimates; and
 - o Evaluate the Village's rationale for significant unusual transactions.

INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Village's internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks.

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the Village's financial statements, our audit cannot be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be exclusive. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

DEFICIENCIES IN INTERNAL CONTROL

Deficiency	Issue and Impact
None noted.	None noted.

While there are no significant deficiencies in internal controls noted, we do take the opportunity to comment on non-critical matters in our "management letter" that is written to the Director of Finance. Appendix F shows a listing of points in process. Some or all of these points may be discussed in our letter to the Director of Finance depending on the results of our further follow up.

APPENDIX A - Other Required Communication

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
1. Our responsibilities under Canadian Auditing Standards (CAS)	✓		Included in our engagement letter dated February 3, 2014.
2. Our audit strategy and audit scope	✓		Included in our Planning Report which was presented to the Mayor and Council on February 5, 2015.
3. Fraud risk factors	✓		Included in our Planning Report which was presented to the Mayor and Council February 5, 2015.
4. Going concern matters		✓	None.
5. Significant estimates or judgments		✓	See Page10
6. Audit adjustments		✓	See Appendix D.
7. Unadjusted differences		✓	See Appendix C.
8. Omitted disclosures		✓	None noted.
9. Disagreements with management		✓	There were no disagreements with management.
10. Consultations with other accountants or experts		✓	No external experts were consulted during this engagement.
11. Major issues discussed with management in regards to retention		✓	None.
12. Significant difficulties encountered during the audit		✓	No significant difficulties were encountered during our audit.
13. Significant deficiencies in internal control		✓	No significant deficiencies were noted.

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
14. Material written communication between BDO and management		✓	No material written communications were noted.
15. Any relationships which may affect our independence	✓	✓	No independence issues noted.
16. Any illegal acts identified during the audit		✓	No illegal activities identified through the audit process.
17. Any fraud or possible fraudulent acts identified during the audit	✓	✓	No fraud identified through the audit process.
18. Significant transactions with related parties not consistent with ordinary business operations		✓	None noted.
19. Non-compliance with laws or regulations identified during the audit		✓	No legal or regulatory non-compliance matters were noted as part of our audit.
20. Limitations of scope over our audit, if any		✓	None.
21. Written representations made by management		✓	See Appendix E.
22. Any modifications to our opinion, if required		✓	Please see our draft independent auditor's report included in Appendix B.

APPENDIX B - Draft Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the Village of Lions Bay

We have audited the accompanying financial statements of Village of Lions Bay, which comprise the Statement of Financial Position as at December 31, 2014, the Statement of Operations, Statement of Changes in Net Financial Assets (Net Debt) and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for 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, 2014 and its results of operations, changes in net financial assets (net debt) and cash flows for the year ended in accordance with Canadian public sector accounting standards.



Chartered Accountants

Vancouver, British Columbia
AUDIT REPORT DATE

Draft

**Village of Lions Bay
Financial Statements
For the year ended December 31, 2014**

**Village of Lions Bay
Financial Statements
For the year ended December 31, 2014**

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Management's Responsibility for the Financial Statements

The accompanying financial statements of the Village of Lions Bay (the "Village") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in the summary of significant accounting policies which proceed the notes to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Village's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Village. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Village's financial statements.

Pamela Rooke, CPA, CMA
Chief Financial Officer

Mandy Giesbrecht
Chief Administrative Officer

May XX, 2015

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, 2014, the Statements of Operations, Change in Net Financial Assets (Net Debt) and Cash Flows for the year then ended, and a summary of significant accounting policies, and other explanatory information.

Management's Responsibility for 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, 2014 and the results of its operations, changes in net financial assets (net debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

Vancouver, British Columbia
May xx, 2015

Village of Lions Bay Statement of Financial Position

December 31	2014	2013
Financial Assets		
Cash and cash equivalents	\$ 1,532,197	\$ 2,163,461
Accounts receivable	273,475	191,735
Grant receivable	7,917	18,957
	<u>1,813,589</u>	<u>2,374,153</u>
Liabilities		
Accounts payable	346,133	155,361
Developer deposits (Note 4)	107,500	98,500
Deferred revenue (Note 1)	15,000	441,343
Sick, overtime, wellness and vacation payable	42,941	29,501
Long- term debt (Note 2)	1,352,176	1,423,673
Capital lease obligation (Note 3)	121,247	148,578
	<u>1,984,997</u>	<u>2,296,956</u>
Net Financial Assets (Debt)	<u>(171,408)</u>	<u>77,197</u>
Non-Financial Assets		
Tangible capital assets (Schedule 3)	20,245,422	19,694,553
Prepaid expenses	14,076	1,912
	<u>20,259,498</u>	<u>19,696,465</u>
Accumulated Surplus (Note 9)	<u>\$ 20,088,090</u>	<u>\$ 19,773,662</u>

Pamela Rooke, CPA, CMA
Chief Financial Officer

Karl Buhr
Mayor

Village of Lions Bay Statement of Operations

For the year ended December 31	Financial Plan 2014 (Note 7)	2014	2013
Revenue (Schedule 1 & 2)			
Taxation (Note 5)	\$ 1,400,155	\$ 1,402,897	\$ 1,337,556
Utility user rates and connection fees	591,576	622,131	568,241
Government transfers	702,092	733,300	320,717
Sale of services	64,915	69,160	78,051
Other revenues	66,200	143,832	162,146
Loss (gain) on disposal of tangible capital assets	-	(3,400)	34,820
	<u>2,824,938</u>	<u>2,967,920</u>	<u>2,501,531</u>
Expenses (Schedule 1 & 2)			
General departmental expenses	2,066,224	1,931,652	1,726,322
Water system operations	612,929	664,850	558,549
Sewer system operations	84,195	56,990	74,748
	<u>2,763,348</u>	<u>2,653,492</u>	<u>2,359,619</u>
Annual Surplus	61,590	314,428	141,912
Accumulated Surplus , beginning of year	<u>19,773,662</u>	<u>19,773,662</u>	<u>19,631,750</u>
Accumulated Surplus , end of year	<u>\$ 19,835,252</u>	<u>\$ 20,088,090</u>	<u>\$ 19,773,662</u>

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

Village of Lions Bay
Statement of Change in Net Financial Assets (Net Debt)

For the year ended December 31	Financial Plan 2014 (Note 7)	2014	2013
Annual surplus	\$ 61,590	\$ 314,428	\$ 141,912
Change in Tangible Capital Assets			
Acquisition of tangible capital assets	(1,510,800)	(1,043,317)	(298,085)
Amortization of tangible capital assets	467,117	489,048	449,391
Loss (gain) on disposals of tangible capital assets	-	3,400	(34,120)
Proceeds on sale of tangible capital assets	-	-	71,564
Change in Other Non-Financial Assets			
Expense (acquisition) of prepaid expenses	-	(12,164)	4,308
Change in net financial assets (net debt) for the year	(982,093)	(248,605)	334,970
Net financial assets (net debt), beginning of year	77,197	77,197	(257,773)
Net financial assets (net debt), end of year	\$ (904,896)	\$ (171,408)	\$ 77,197

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	2014	2013
Cash provided by (used in)		
Operating transactions		
Annual surplus	\$ 314,428	\$ 141,912
Items not involving cash		
Amortization expense	489,048	449,391
Loss (gain) on disposal of tangible capital assets	3,400	(34,120)
Changes in non-cash operating balances		
Accounts receivable	(70,700)	217,842
Deferred revenue	(417,343)	12,000
Accounts payable	190,772	(115,652)
Sick, overtime, wellness and vacation payable	13,440	(9,180)
Prepaid expenses	(12,164)	4,308
	<u>510,881</u>	<u>666,501</u>
Capital transactions		
Cash used to acquire tangible capital assets	(1,043,317)	(136,863)
Proceeds on sale of tangible capital assets	-	71,564
	<u>(1,043,317)</u>	<u>(65,299)</u>
Investing transactions		
Redemption of portfolio investments	-	449,885
Financing transactions		
Repayment of capital lease obligation	(27,331)	(12,644)
Repayment of long-term debt principal	(71,497)	(80,921)
Decrease (increase) in cash and equivalents during the year	(631,264)	957,522
Cash and equivalents, beginning of year	<u>2,163,461</u>	<u>1,205,939</u>
Cash and equivalents, end of year	\$ 1,532,197	\$ 2,163,461
Non cash transaction:		
Tangible capital assets additions through capital leases	\$ -	\$ 161,222
Supplemental information:		
Interest paid on long-term debt	\$ 83,615	\$ 88,879

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

Village of Lions Bay

Summary of Significant Accounting Policies

December 31, 2014

The Village of Lions Bay ("The Village") is a municipality in the province of British Columbia operating under the provisions of the Community Charter. The Village provides a wide range of services to the residents such as parks and recreation, fire and rescue, general government services, solid waste collection, and maintenance of roads, storm drainage, water and sewer infrastructure and facilities. The Village prepares its financial statements in accordance with Canadian public sector accounting standards using guidelines developed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada.

Basis of Accounting The basis of accounting followed in these financial statements is an accrual method and includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenses in the period the goods and services are acquired and a liability is incurred.

The financial statements include the accounts of all funds of the Village. Interfund transactions and balances have been eliminated.

Investments Investments are carried at market value which approximates cost.

Cash and Cash Equivalents Cash and cash 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.

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, 2014

Revenue Recognition

Taxes are recorded when they meet the definition of an asset, have been authorized and the taxable event occurs. Taxes receivable are recognized net of allowance for anticipated uncollectible amounts.

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

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

Government transfers, which include legislative grants, are recognized in the financial statements when received if 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. Government transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

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

Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Village and the obligation, including interest thereon, is repaid over the term of the lease. All other leases are accounted for as operating leases and the rental costs are expensed as incurred.

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.

Village of Lions Bay Summary of Significant Accounting Policies

December 31, 2014

Financial Instruments The Village's financial instruments consist of cash and equivalents, 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.

Village of Lions Bay Notes to Financial Statements

December 31, 2014

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 government transfer in the amount of \$14,000 for the accessibility walkway and seniors' program with eligibility criteria not being met as at December 31, 2014.

	<u>2014</u>	<u>2013</u>
Deferred government transfer, opening balance	\$ 441,343	\$ 441,343
2014 Receipt	14,000	-
2014 Expended	<u>(440,343)</u>	<u>-</u>
Deferred government transfer, ending balance	<u>\$ 15,000</u>	<u>\$ 441,343</u>

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 actual amount of the loan honoured was \$114,000. The interest rate is 5.1% and the debt matures in 2025. The balance outstanding under this bylaw at year-end was \$69,709 (2013 - \$75,140).

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 \$1,088,154 (2013 - \$1,144,211).

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 \$194,313 (2013 - \$204,323).

Village of Lions Bay

Notes to Financial Statements

December 31, 2014

2. Long-term Debt (Continued)

Repayments of debt required in the next five years and thereafter are as follows:

2015	\$ 75,681
2016	78,628
2017	81,690
2018	84,872
2019	88,180
Thereafter	943,125
	<u>\$ 1,352,176</u>

3. Capital Lease

During 2013, The Village entered into three vehicle lease obligations with future payments requirements as follows:

2015	\$ 37,120
2016	\$ 37,120
2017	\$ 37,120
2018	<u>\$ 16,408</u>
Total future minimum lease payments	127,768
Less: Imputed interest at 5.38%	<u>(6,521)</u>
Present value of minimum lease payments	<u>\$ 121,247</u>

4. 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 \$107,500 (2013 - \$98,500) has been reported under the liability 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.

Village of Lions Bay

Notes to Financial Statements

December 31, 2014

5. Taxation

	Financial Plan 2014 (Note 7)	2014	2013
General purposes	\$ 1,146,068	\$ 1,149,469	\$ 1,106,343
Collections for other tax authorities			
School and RCMP - Province	-	787,734	875,284
Regional District	-	36,593	36,406
Greater Vancouver Transportation Authority	-	182,891	202,759
Municipal Finance Authority	-	109	123
British Columbia Assessment Authority	-	34,053	37,939
	<u>1,146,068</u>	<u>2,190,849</u>	<u>2,258,854</u>
Transfers to other tax authorities			
Province of British Columbia	-	787,734	875,284
Regional District	-	36,817	36,747
Greater Vancouver Transportation Authority	-	182,891	202,759
Municipal Finance Authority	-	109	124
British Columbia Assessment Authority	-	34,053	37,939
	<u>-</u>	<u>1,041,604</u>	<u>1,152,853</u>
Available for general purposes	1,146,068	1,149,245	1,106,001
Water utility parcel taxes	232,142	231,707	211,605
Sewer utility parcel taxes	21,945	21,945	19,950
	<u>\$ 1,400,155</u>	<u>\$ 1,402,897</u>	<u>\$ 1,337,556</u>

Village of Lions Bay Notes to Financial Statements

December 31, 2014

6. Contingent Liabilities and Commitments

- (i) 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.
- (ii) 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.
- (iii) The Village is the 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, 2014 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. Financial Plan

Financial plan amounts represent the Financial Plan By-Law adopted by Council on May 13, 2014 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:

	2014
Financial Plan Bylaw surplus for the year	\$ -
Add back:	
Capital expenditures	1,510,800
Repayment of Debt	92,618
Less:	
Budgeted transfers from accumulated surplus	(1,074,711)
Amortization	(467,117)
	\$ 61,590

Village of Lions Bay Notes to Financial Statements

December 31, 2014

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 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local governments and 6 contributors from the Village.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at 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 Village paid \$27,109 (2013 - \$24,126) for employer contributions while employees contributed \$26,886 (2013 - \$21,439) to the plan in fiscal 2014.

9. Accumulated Surplus

The components of accumulated surplus are as follows:

	<u>2014</u>	<u>2013</u>
Invested in tangible capital assets	\$ 18,771,999	\$ 18,122,302
Reserve funds	657,827	595,340
Unrestricted amounts	658,264	1,056,020
	<u>\$ 20,088,090</u>	<u>\$ 19,773,662</u>

The increase in reserve funds in the current year of \$62,487 represents the receipt of \$54,616 of unrestricted funds for Gas Tax Funding with the balance of \$7,871 representing interest credited to reserve funds for the year.

Village of Lions Bay

Notes to Financial Statements

December 31, 2014

10. Segmented Information

The Village is a diversified municipal government institution that provides a wide range of services to its residents such as parks and recreation, maintenance of roads, fire and rescue, sewer and water utilities and solid waste collection. Key functional segments have been separately disclosed in Schedule 1. Following is a brief description of these segments and the activities they provide:

General Government

This segment relates to the general administration of the Village. It also includes revenues and expenses such as property tax revenues, legal costs, etc. that cannot be directly attributed to a specific segment.

Protective Services

Protective Services comprise of fire and rescue services, bylaw enforcement and emergency services. The fire and rescue department is responsible for providing fire suppression service, fire prevention programs, training and education and highway call-out services. The members of the fire department are volunteer fire fighters.

Public Works Operation

Public works and transportation is responsible for the maintenance of roads, storm drainage, water and sewer infrastructure and building facilities.

Solid Waste Collection

Solid waste collection consists of recycling services and waste collection.

Planning and Development

This segment includes building inspection, zoning and community planning such as land use master plan.

Recreational and Cultural Services

This service area provides services meant to improve the health and development of the residents. They include recreation programs in the community centre, maintenance of trails, parks and beaches.

Village of Lions Bay Notes to Financial Statements

December 31, 2014

11. Expenses by Objects

	Financial Plan 2014 (Note 7)	2014	2013
Goods and services	\$ 1,147,443	\$1,015,222	\$ 948,017
Labour	1,056,109	1,065,607	873,332
Debt charges - interest	92,679	83,615	88,879
Amortization Expense	467,117	489,048	449,391
Total Expenses	\$ 2,763,348	\$ 2,653,492	\$ 2,359,619

12. Comparative Figures

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

Village of Lions Bay

Schedule 1 - Combined Statement of Operations by Segment

For the year ended December 31, 2014

	General Government	Protective Services	Public Works Operation	Solid Waste Collection	Planning and Development	Park Recreation and Culture	Water Utility	Sewer Utility	2014 Actual	2014 Financial Plan
	(Note 7)									
Revenues										
Taxation	\$ 1,149,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,707	\$ 21,945	\$ 1,402,897	\$ 1,400,155
Utility user rates and connection fees	-	-	-	196,361	-	-	388,348	37,422	622,131	591,576
Government transfers	250,532	-	-	-	-	482,768	-	-	733,300	702,092
Sales of services	2,220	14,576	1,650	-	36,612	14,102	-	-	69,160	64,915
Other revenues	51,350	78,608	-	-	-	1,000	12,874	-	143,832	66,200
Loss on disposal of tangible capital assets	(3,400)	-	-	-	-	-	-	-	(3,400)	-
	1,449,947	93,184	1,650	196,361	36,612	497,870	632,929	59,367	2,967,920	2,824,938
Expenses										
Operating										
Goods and services	217,952	180,770	136,225	176,603	5,906	72,827	195,454	29,485	1,015,222	1,147,443
Labour	423,825	95,634	183,008	-	15,405	87,159	254,680	5,896	1,065,607	1,056,109
Amortization	319,719	-	-	-	-	-	147,720	21,609	489,048	467,117
	961,496	276,404	319,233	176,603	21,311	159,986	597,854	56,990	2,569,877	2,670,669
Interest	-	-	16,619	-	-	-	66,996	-	83,615	92,679
	961,496	276,404	335,852	176,603	21,311	159,986	664,850	56,990	2,653,492	2,763,348
Excess (deficiency) in revenues over expenses	\$ 488,451	\$ (183,220)	\$ (334,202)	\$ 19,758	\$ 15,301	\$ 337,883	\$ (31,921)	\$ 2,377	\$ 314,428	\$ 61,590

Village of Lions Bay
Schedule 2 - Combined Statement of Operations by Segment

For the year ended December 31, 2013

	General Government	Protective Services	Public Works Operation	Solid Waste Collection	Planning and Development	Park Recreation and Culture	Water Utility	Sewer Utility	2013 Actual	2013 Financial Plan
	(Note 7)									
Revenues										
Taxation	\$ 1,106,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,605	\$ 19,950	\$ 1,337,556	\$ 1,335,529
Utility user rates and connection fees	-	-	-	191,017	-	-	343,204	34,020	568,241	548,975
Government transfers	196,742	871	-	-	-	123,104	-	-	320,717	689,092
Sales of services	1,850	12,529	2,350	-	30,110	31,213	-	-	78,051	105,215
Other revenues	95,124	58,264	100	-	-	425	8,233	-	162,146	7,400
Gain on disposal of tangible capital assets	34,820	-	-	-	-	-	-	-	34,820	-
	1,434,537	71,664	2,450	191,017	30,110	154,742	563,042	53,970	2,501,531	2,686,211
Expenses										
Operating										
Goods and services	202,922	152,605	152,811	182,029	5,405	64,634	149,259	38,352	948,017	1,123,678
Labour	322,422	82,224	213,482	-	14,107	36,998	189,312	14,787	873,332	827,637
Amortization	283,898	-	-	-	-	-	143,884	21,609	449,391	451,833
	809,242	234,829	366,293	182,029	19,512	101,632	482,455	74,748	2,270,740	2,403,148
Interest	-	-	12,785	-	-	-	76,094	-	88,879	89,168
	809,242	234,829	379,078	182,029	19,512	101,632	558,549	74,748	2,359,619	2,492,316
Excess (deficiency) in revenues over expenses	\$ 625,295	\$ (163,165)	\$ (376,628)	\$ 8,988	\$ 10,598	\$ 53,110	\$ 4,493	\$ (20,778)	\$ 141,912	\$ 193,895

Village of Lions Bay Schedule 3 - Tangible Capital Assets

For the year ended December 31, 2014

	Land	Buildings	Equipment & Furniture & Vehicle	Land Improvements	Water	Sewer	Roads	Storm Sewer	Other	WIP - General	2014 Total	2013 Total
Cost, beginning of year	\$ 11,115,625	\$ 1,351,952	\$ 1,582,293	\$ 147,052	\$ 6,739,498	\$ 421,824	\$ 4,343,823	\$ 101,450	\$ 81,801	\$ 177,949	\$ 26,063,267	\$ 25,942,290
Additions	-	1,041,416	55,839	48,626	36,873	-	9,050	-	-	29,463	1,221,267	298,085
Disposals	-	-	(17,000)	-	-	-	-	-	-	(177,950)	(194,950)	(177,108)
Cost, end of year	11,115,625	2,393,368	1,621,132	195,678	6,776,371	421,824	4,352,873	101,450	81,801	29,462	27,089,584	26,063,267
Accumulated amortization, beginning of year	-	795,525	699,848	47,277	2,136,589	274,977	2,333,421	72,896	8,181	-	6,368,714	6,058,988
Amortization	-	54,155	145,712	9,171	147,720	21,609	107,135	1,910	1,636	-	489,048	457,195
Disposals	-	-	(13,600)	-	-	-	-	-	-	-	(13,600)	(147,469)
Accumulated amortization, end of year	-	849,680	831,960	56,448	2,284,309	296,586	2,440,556	74,806	9,817	-	6,844,162	6,368,714
Net carrying amount, end of year	\$ 11,115,625	\$ 1,543,688	\$ 789,172	\$ 139,230	\$ 4,492,062	\$ 125,238	\$ 1,912,317	\$ 26,644	\$ 71,984	\$ 29,462	\$ 20,245,422	\$ 19,694,553

APPENDIX C - Unadjusted Differences

SUMMARY OF UNADJUSTED DIFFERENCES

The following is a summary of uncorrected misstatements noted during the course of our audit engagement:

	Increase (Decrease)			
	Assets	Liabilities	Accumulated Surplus	Annual Surplus
Debt interest not accrued at year -end	\$ -	\$ 8,731		\$ (8,731)
Amortization expense overstated for fire trucks that were not in use in the previous years.			(4,533)	4,533
Estimated prepaid expenses that relates to 2015 that was expensed in the current year.	2,941			2,941
Sick pay liability that was estimated to be over accrued at year-end.		(13,853)	13,853	
Difference in the net book value of the capital assets listing and the general ledger	(2,117)			(2,117)
Loss on disposal of the fire trucks is was to be recorded in previous years.			(3,400)	3,400
Total	824	(5,122)	(5,920)	26
Effect of Prior Year's Reversing Errors	-	-	7,343	(7,343)
Total Unadjusted Differences	\$ 824	\$ 5,122	\$ 1,423	\$ 7,317

APPENDIX D - Audit Adjustments

SUMMARY OF AUDIT ADJUSTMENTS

A summary of year end audit adjustments made during the course of our audit engagement is attached to the letter. All adjustments were approved by management before the issuance of our draft independent auditor's report.

	Increase (Decrease)			
	Assets	Liabilities	Accumulated Surplus	Annual Surplus
To adjust for vacation hours payable to the CAO	\$ -	\$ 323	\$ -	\$ (323)
To adjust for rate used for employee future benefit calculation related to the Treasurer	-	689	-	(689)
To adjust for amortization on capital assets	10,034	-	-	10,034
Total Adjusted Differences	\$ 10,034	\$ 1,012	\$ -	\$ 9,022

APPENDIX E - Representation Letter

Council Approval date of financial statements

BDO Canada LLP
Chartered Accountants
600 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2
Canada

Dear Mesdames:

This representation letter is provided in connection with your audit of financial statements of the Village of Lions Bay (the "Village") for the year ended December 31, 2014, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position as at December 31, 2014, and the results of operations and cash flows for the year ended December 31, 2014 of the Village of Lions Bay in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated February 3, 2014, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular the financial statements are fairly presented in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Public sector accounting standards.
4. All events subsequent to the date of the financial statements and for which Public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
5. The financial statements of the Village use appropriate accounting policies that have been properly disclosed and consistently applied.

Information Provided

6. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 7. We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- 8. The minute books of the Council are a complete record of all meetings and resolutions of the Council throughout the year and to the present date.
- 9. We have disclosed to you all significant matters contained in the minutes of all meetings and resolutions of Council throughout the year and to the present date.
- 10. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 11. We have disclosed to you all known instances of non-compliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 12. We have identified to you:
 - guarantees;
 - indemnifications against damages, liabilities, costs, charges or expenses suffered or incurred by officers or directors as a result of their service, and/or by any subsidiaries; and
 - non-monetary transactions and transactions for no consideration.
- 13. We have disclosed to you the identity of the entity's related parties and the related party relationships and transactions of which we are aware.
- 14. We are aware of the environmental laws and regulations that impact the Village and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the financial statements.

Fraud and Error

- 15. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
- 16. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- 17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

18. We have reviewed and approved all journal entries recommended by the auditors during the audit.
19. The effects of unadjusted misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Existence, Completeness and Valuation of Specific Financial Statement Balances

20. All assets, wherever located, to which the Village had satisfactory title at the year end, have been fairly stated and recorded in the financial statements. There are no liens or encumbrances on the organization's assets.
21. All financial instruments have been appropriately recognized and measured in accordance with Public sector accounting standards. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.
22. Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
23. The inventories as set out in the financial statements represent all of the inventories to which the organization held title as at the balance sheet date. Inventories do not include any goods consigned to the Village, merchandise billed to customers or any items for which the liability has not been provided in the books. Appropriate provisions have been made for obsolete, slow-moving and defective inventories.
24. The employee future benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with Canadian public sector accounting standards. The source data and plan provisions provided are complete and accurate. The plans included in the valuation are complete. The determination of the discount rate and the use of specific actuarial assumptions are our best estimate assumptions. We feel that the extrapolations are accurate and have properly reflected the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

General Representations

25. The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
26. There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the Village, except as disclosed in the financial statements.
27. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel. Since there are no outstanding or possible claims, no disclosure is required in the financial statements.
28. We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.

29. We have disclosed to you all significant customers and/or suppliers of the organization who individually represent a significant volume of business with the organization. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the Village with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the organization.
30. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
31. We confirm that operating segments are appropriately identified and disclosed in accordance with Canadian public sector accounting standards.
32. No significant matters, other than those disclosed in the financial statements, have arisen that would require a restatement of the comparative financial statements.

All tangible capital assets and inventory have been recorded and additions for the year are complete and accurate. Amortization based on the expected useful life of the tangible capital asset and residual value is our best estimate for the consumption of a portion of the tangible capital asset for the year. Where the value of any tangible capital asset has been impaired, an appropriate provision has been made in the consolidated financial statements or has otherwise been disclosed to you.

Yours truly,

Signature

Position

Signature

Position

APPENDIX F - Management Letter in process

Points being researched:

- *Liability for Contaminated Sites*
- *Capital Asset Amortization Policy and TCA Schedule*
- *Segregation of Duties*
- *Reserve Account Reconciliation*
- *Restrictions on Debts Funds*
- *Approval of Timesheets*
- *Banked Employee Vacation*
- *Fire Department Bank Account*

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