

AGENDA

SPECIAL MEETING OF COUNCIL

Thursday, June 18, 2015

7:30 p.m.

**George Fraser Room, Ucluelet Community Centre
500 Matterson Drive,
Ucluelet, B.C.**

Council Members:

Mayor Dianne St. Jacques
Councillor Sally Mole
Councillor Randy Oliwa
Councillor Marilyn McEwen
Councillor Mayco Noel



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SPECIAL MEETING OF COUNCIL

7:30 p.m.

Thursday, June 18, 2015

**George Fraser Room, Ucluelet Community Centre,
500 Matterson Drive, Ucluelet**

AGENDA

1. CALL TO ORDER

2. ADOPTION OF MINUTES

N/A

3. PUBLIC INPUT, DELEGATIONS & PETITIONS

4. CORRESPONDENCE

None

5. INFORMATION ITEMS

None

6. REPORTS

- 6.1. 2014 Audited Financial Statements**
Jeanette O'Connor, Chief Financial Officer

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7. LEGISLATION

None

8. LATE ITEMS

N/A

9. NEW BUSINESS

10. QUESTION PERIOD

11. CLOSED SESSION

This meeting may be closed to the public where items for consideration meet the requirements of Section 90 of the *Community Charter*.

12. ADJOURNMENT



REPORT TO COUNCIL

MEETING DATE: June 18, 2015 **FILE NO:** 1830-01 2014
FROM: Jeanette O'Connor, Chief Financial Officer
SUBJECT: DRAFT FINANCIAL STATEMENTS, 2014

Recommendation: Council receive and accept the District of Ucluelet, Draft Financial Statements and the Audit Finding Report for the year ended December 31, 2014.

Purpose: New Canadian auditing standards dictate Council must approve the financial statements prior to the auditor dating and releasing the audit report.

Background: The firm of KPMG LLP has completed their audit of the amounts and disclosures in the financial statements for 2014. In the opinion of KPMG LLP the 2014 draft financial statements present fairly, in all material respects, the financial position of the District of Ucluelet as at December 31, 2014 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

List of Attachments:

District of Ucluelet draft financial statements for the year ended December 31, 2014.



Jeanette O'Connor
Chief Financial Officer

DRAFT Consolidated Financial Statements of

DISTRICT OF UCLUELET

Year ended December 31, 2014

DISTRICT OF UCLUELET

Consolidated Financial Statements

DRAFT

Year ended December 31, 2014

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the District of Ucluelet (the "District") are the responsibility of management and have been prepared in compliance with applicable legislation, and in accordance with generally accepted accounting standards for local governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the consolidated 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 District'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 consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the District. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the District's financial statements.

Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of The District of Ucluelet

We have audited the accompanying consolidated financial statements of The District of Ucluelet, which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The District of Ucluelet as at December 31, 2014, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

Month DD, YYYY

Victoria, Canada

DISTRICT OF UCLUELET

Consolidated Statement of Financial Position

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December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash and cash equivalents (note 3)	\$ 4,214,149	\$ 2,519,595
Restricted cash	27,422	26,650
Accounts receivable (note 4)	1,358,077	2,136,735
Properties held for sale	79,998	31,197
	<u>5,679,646</u>	<u>4,714,177</u>
Financial liabilities:		
Accounts payable and accrued liabilities (note 5)	767,792	901,405
Refundable deposits	30,066	34,158
Deferred revenue (note 6)	335,493	865,941
Development cost charges (note 7)	811,674	806,928
Debt (note 8)	1,863,522	1,923,647
	<u>3,808,547</u>	<u>4,532,079</u>
Net financial assets	1,871,099	182,098
Non-financial assets:		
Tangible capital assets (note 9)	37,624,212	36,771,528
Work in progress (note 10)	-	1,804,610
Inventory of supplies	34,134	44,384
Prepaid expenses	59,203	29,841
Commitments and contingencies (note 16)		
Accumulated surplus (note 11)	<u>\$ 39,588,648</u>	<u>\$ 38,832,461</u>

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

On behalf of the District:

Chief Financial Officer

DISTRICT OF UCLUELET

Consolidated Statement of Operations

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

	Financial plan (note 17)	2014	2013
Revenue:			
Taxation, net (note 12)	\$ 2,547,393	\$ 2,780,591	\$ 2,763,901
Sale of services	1,717,865	1,540,448	1,534,720
Other revenue from own sources	153,050	285,442	719,487
Investment income	-	39,596	66,322
Grants and contributions (note 13)	484,693	1,197,329	1,261,530
Total revenue	4,903,001	5,843,406	6,345,960
Expenses:			
General government services	1,098,470	911,965	1,405,889
Protective services	489,591	317,349	338,184
Transportation services	1,179,610	1,193,706	1,078,798
Planning and environmental services	344,422	302,728	276,646
Recreation and cultural services	1,415,330	1,276,176	1,316,574
Sewer utility	429,194	519,226	489,260
Water utility	593,168	566,069	486,485
	5,549,785	5,087,219	5,391,836
Annual surplus (deficit)	(646,784)	756,187	954,124
Accumulated surplus, beginning of year	38,832,461	38,832,461	37,878,337
Accumulated surplus, end of year	\$ 38,185,677	\$ 39,588,648	\$ 38,832,461

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

DISTRICT OF UCLUELET

Consolidated Statement of Change in Net Financial Assets

DRAFT

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

	Financial plan (note 17)	2014	2013
Annual surplus (deficit)	\$ (646,784)	\$ 756,187	\$ 954,124
Acquisition of tangible capital assets	(78,982)	(186,328)	(2,060,969)
Amortization of tangible capital assets	970,000	1,102,120	995,242
Loss on disposal of work in progress	-	36,134	-
	891,018	951,926	(1,065,727)
Net acquisition of inventory of supplies	-	10,250	10,000
Net acquisition (consumption) of prepaid expenses	-	(29,362)	20,909
Change in net financial assets (debt)	244,234	1,689,001	(80,694)
Net financial assets, beginning of year	182,098	182,098	262,792
Net financial assets, end of year	\$ 426,332	\$ 1,871,099	\$ 182,098

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

DISTRICT OF UCLUELET

Consolidated Statement of Cash Flows

DRAFT

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

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 756,187	\$ 954,124
Items not involving cash:		
Amortization of tangible capital assets	1,102,120	995,242
Loss on disposal of work in progress	36,134	-
Actuarial adjustment on debt	(15,460)	(12,263)
Change in non-cash operating assets and liabilities:		
Accounts receivable	778,658	(249,135)
Properties held for sale	(48,801)	(2,484)
Accounts payable and accrued liabilities	(133,613)	(36,062)
Refundable deposits	(4,092)	500
Deferred revenue	(530,448)	(173,270)
Development cost charges	4,746	(387,636)
Inventory of supplies	10,250	10,000
Prepaid expenses	(29,362)	20,909
	1,926,319	1,119,925
Capital activities:		
Acquisition of tangible capital assets	(186,328)	(1,011,010)
Acquisition of work in progress	-	(1,049,959)
	(186,328)	(2,060,969)
Investing activities:		
Increase in restricted cash	(772)	(1,239)
Financing activities:		
Proceeds on debt	43,700	-
Capital lease repaid	(26,648)	(20,903)
Debt repaid	(61,717)	(61,826)
	(44,665)	(82,729)
Increase (decrease) in cash and cash equivalents	1,694,554	(1,025,012)
Cash and cash equivalents, beginning of year	2,519,595	3,544,607
Cash and cash equivalents, end of year	\$ 4,214,149	\$ 2,519,595
Supplemental cash flow information:		
Cash paid for interest	\$ 82,360	\$ 82,360
Cash received from interest	39,596	66,514

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

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements

DRAFT

Year ended December 31, 2014

District of Ucluelet (the "District") is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. The District's principal activities include the provision of local government services to residents of the incorporated area.

1. Significant accounting policies:

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

(a) Reporting entity:

The consolidated financial statements reflect the combination of all the assets, liabilities, revenues, expenses, and accumulated surplus of the District. Inter-departmental balances and transactions have been eliminated. The consolidated financial statements of the District also include the activities of the Ucluelet Economic Development Corporation which is owned by the District. The District administers certain trust assets on behalf of external parties which are excluded from the financial statements.

(b) Basis of accounting:

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability.

(d) Property tax revenue:

Property tax revenue is recognized on the accrual basis using the approved tax rates and the anticipated assessment related to the current year.

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2014

1. Significant accounting policies (continued):

(e) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired, thereby extinguishing the related liability.

(f) Development cost charges:

Development cost charges are amounts which are restricted by government legislation or agreement with external parties. When qualifying expenditures are incurred development cost charges are recognized as revenue in amounts which equal the associated expenses.

(g) Cash and cash equivalents:

Cash and cash equivalents include short-term, highly liquid investments with a term to maturity of 90 days or less at acquisition. Cash equivalents also include investments in the Municipal Finance Authority of British Columbia ("MFA") Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

(h) Deposits and prepayments:

Receipts restricted by third parties are deferred and recorded as deposits and are refundable under certain circumstances. Deposits and prepayments are recognized as revenue when qualifying expenditures are incurred.

(i) Employee future benefits:

The District and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Sick leave and other benefits are available to the District's employees. The costs of these benefits are estimated based on accumulated sick leave and best estimates of future usage and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2014

1. Significant accounting policies (continued):

(j) Properties held for sale:

Properties held for sale represent tax sale properties which are ready and available to be sold. They are valued at lower of cost or expected net realizable value. No amortization is recorded on properties held for sale.

(k) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue, development cost charges and deposits and prepayments is added to the investment and forms part of the liability balance.

(l) Debt:

Debt is recorded net of related payments and actuarial earnings.

(m) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

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

Asset	Useful life - years
Buildings	10 - 60
Equipment	5 - 25
Other structures	15 - 50
Roads	40 - 60
Sewer structures	10 - 50
Drainage structures	30 - 50
Water structures	10 - 50

Amortization is charged annually, including in the year of acquisition and disposal.

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2014

1. Significant accounting policies (continued):

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the District's ability to provide goods and services, or when the value of future economic benefits associated with the asset are less than the book value of the asset.

(i) Non-financial assets (continued):

(ii) Contributions of tangible capital assets

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

(iii) Natural resources

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

(iv) Works of art and cultural and historic assets

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

(v) Interest capitalization

The District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(vi) Leased tangible capital assets

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

(vii) Inventory of supplies

Inventory of supplies held for consumption are recorded at lower of cost and replacement cost.

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2014

1. Significant accounting policies (continued):

(n) Use of estimates:

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

2. Comparative information:

Certain 2013 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

3. Cash and cash equivalents:

Cash and cash equivalents is comprised of the following:

	2014	2013
Bank deposits	\$ 2,574,849	\$ 1,122,850
GIC's	14,347	44,445
MFA Money Market Funds	1,624,953	1,352,300
Total	\$ 4,214,149	\$ 2,519,595

4. Accounts receivable:

	2014	2013
Property taxes	\$ 1,100,541	\$ 1,437,009
Due from other governments	54,989	28,963
General, business licenses, utilities	149,538	614,685
Other	53,009	56,078
Total	\$ 1,358,077	\$ 2,136,735

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2014

5. Accounts payable and accrued liabilities:

	2014	2013
Trade accounts payable	\$ 535,708	\$ 669,970
Salaries and wages payable	57,541	45,423
Accrued employee benefits	118,418	106,116
Due to other governments	29,879	53,679
Accrued interest	15,442	15,442
Other	10,804	10,775
	<u>\$ 767,792</u>	<u>\$ 901,405</u>

6. Deferred revenue:

	2014	2013
Federal Gas Tax Agreement	\$ -	\$ 788,182
Hotel resort tax	238,922	45,893
Property taxes	15,226	19,356
Grants	67,218	6,603
Other	14,127	5,907
Total deferred revenue	<u>\$ 335,493</u>	<u>\$ 865,941</u>

The District receives Gas Tax funds from the Federal Government through an agreement with the Union of BC Municipalities. Effective April 1, 2014 the agreements were revised for all new funding and for amounts unspent from prior periods. The new agreement broadened the scope of eligible expenditures for these funds and eliminated certain potential repayment criteria. These changes have resulted in a change in the accounting from the previous policy to defer such funds until eligible expenditures were incurred to recognize all amounts into revenue when received, including recognizing as revenue all amounts previously deferred. The change in the Federal Gas Tax Agreement during the year is as follows:

Gas Tax Agreement Funds

	2014	2013
Opening balance of unspent funds	\$ 788,182	\$ 569,949
Add amounts received during the year	117,188	218,233
	<u>905,370</u>	<u>788,182</u>
Less amount recognized in revenue	(905,370)	-
	<u>\$ -</u>	<u>\$ 788,182</u>

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2014

7. Development cost charges:

Development cost charges are restricted revenue liabilities representing funds received from developers and deposited into a separate reserve fund for capital expenditures. The District records these funds as a liability upon receipt which is then recognized as revenue when the related costs are incurred.

	Opening balance	Net receipts	Draw down	Interest	Closing balance
Roads	\$ 15,390	\$ -	\$ -	\$ 90	\$ 15,480
Storm water	196,986	-	-	1,159	198,145
Sewer	403,477	-	-	2,373	405,850
Water	43,525	-	-	256	43,781
Parks	147,550	-	-	868	148,418
	<u>\$ 806,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,746</u>	<u>\$ 811,674</u>

8. Debt:

- (a) The District issues debt instruments through the Municipal Finance Authority (MFA), pursuant to security issuing bylaws under authority of the Local Government Act, to finance certain capital expenditures.

	Gross debt	Repayments and actuarial earnings	Net debt 2014	Net debt 2013
MFA Issue 117	\$ 1,948,000	\$ 147,294	\$ 1,800,706	\$ 1,851,742
MFA Issue 73	300,000	273,792	26,208	52,350
Debt	2,248,000	421,086	1,826,914	1,904,092
Capital lease obligations	43,700	7,092	36,608	19,555
	<u>\$ 2,291,700</u>	<u>\$ 428,178</u>	<u>\$ 1,863,522</u>	<u>\$ 1,923,647</u>

As a condition of the borrowing through the MFA, the District is obligated to lodge security by means of demand notes and interest bearing cash deposits based on the amount of the borrowing. The deposits are included in the District's financial statements as restricted cash. If the debt is repaid without default, the deposits are refunded to the District. The notes, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default and are not recorded in the financial statements. Upon the maturity of a debt issue the demand notes are released and deposits refunded to the District. As at December 31, 2014, there were contingent demand notes of \$49,094 (2014 - \$49,094) which are not included in the financial statements of the District.

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2014

8. Debt (continued):

The loan agreements with the Alberni-Clayoquot Regional District and the MFA provide that, if at any time the scheduled payments provided for in the agreements are not sufficient to meet the MFA's obligations in respect to such borrowings, the resulting deficiency becomes a liability of the District.

(b) Principal and interest payments on debt for the next five years are as follows:

2015	\$	144,077
2016		110,085
2017		110,085
2018		110,085
2019		110,085

(c) Interest expense:

Interest paid during the year was \$82,360 (2013 - \$82,360).

(d) The District leases certain municipal hall and fire department equipment under capital lease agreements. The District will acquire ownership of the equipment at the end of the lease term. Principle and interest repayments are due as shown.

2015	\$	10,553
2016		9,192
2017		9,192
2018		9,014
		37,951
Less amount representing interest (at a rate of prime plus 1%)		(1,343)
Present value of net minimum capital lease payments	\$	36,608

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

9. Tangible capital assets:

	Land	Sewer structures	Buildings	Vehicles and equipment	Other structures	Roads	Drainage structures	Water structures	Total 2014
Cost:									
Balance, beginning of year	\$11,588,490	8,432,650	10,905,180	2,388,705	2,928,496	7,540,125	1,559,012	3,948,239	\$49,290,897
Additions	-	202,208	28,083	43,610	141,717	1,518	-	1,537,668	1,954,804
Balance, end of year	11,588,490	8,634,858	10,933,263	2,432,315	3,070,213	7,541,643	1,559,012	5,485,907	51,245,701
Accumulated amortization:									
Balance, beginning of year	-	3,539,988	1,490,486	1,147,273	1,118,207	2,899,481	507,282	1,816,652	12,519,369
Amortization	-	205,655	223,403	157,880	138,715	187,676	35,933	152,858	1,102,120
Balance, end of year	-	3,745,643	1,713,889	1,305,153	1,256,922	3,087,157	543,215	1,969,510	13,621,489
Net book value, end of year	\$11,588,490	4,889,215	9,219,374	1,127,162	1,813,291	4,454,486	1,015,797	3,516,397	\$37,624,212

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

9. Tangible capital assets (continued):

	Land	Sewer structures	Buildings	Vehicles and equipment	Other structures	Roads	Drainage structures	Water structures	Total 2013
Cost:									
Balance, beginning of year	\$11,475,202	8,375,217	10,602,588	2,249,851	2,928,496	7,268,856	1,413,540	3,697,883	48,011,633
Additions	113,288	57,433	302,592	138,854	-	271,269	145,472	250,356	1,279,264
Write down	-	-	-	-	-	-	-	-	-
Balance, end of year	11,588,490	8,432,650	10,905,180	2,388,705	2,928,496	7,540,125	1,559,012	3,948,239	49,290,897
Accumulated amortization:									
Balance, beginning of year	-	3,347,947	1,269,265	1,005,518	990,942	2,719,813	474,373	1,716,269	11,524,127
Amortization	-	192,041	221,221	141,755	127,265	179,668	32,909	100,383	995,242
Balance, end of year	-	3,539,988	1,490,486	1,147,273	1,118,207	2,899,481	507,282	1,816,652	12,519,369
Net book value, end of year	\$11,588,490	4,892,662	9,414,694	1,241,432	1,810,289	4,640,644	1,051,730	2,131,587	\$36,771,528

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2014

9. Tangible capital assets (continued):

(a) Contributed tangible capital assets:

There were no contributed assets recognized during the year.

(b) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset has been recognized at a nominal value.

(c) Works of art and historical treasures:

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

(d) Write-down of tangible capital assets:

No write-down of tangible capital assets occurred during the year.

10. Work in progress:

	2013	Transfers Additions and write-offs	2014
General government	\$ 169,508	- \$ (169,508)	\$ -
Sewer system	192,700	- (192,700)	-
Water system	1,442,402	- (1,442,402)	-
	\$ 1,804,610	- \$ (1,804,610)	\$ -

During the year there were work in progress additions of \$nil (2013 - \$1,049,959), write-offs of \$36,134 for projects no longer being pursued (2013 - \$nil) and transfers to tangible capital assets for completed projects of \$1,768,477 (2013 - \$268,254). Amortization of work in progress will commence in the year the asset is transferred to tangible capital assets and is put into service.

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2014

11. Accumulated surplus:

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

	2014	2013
Investment in tangible capital assets	\$ 35,760,690	\$ 36,652,491
Reserve funds and other surplus	2,922,588	2,179,970
Gas Tax Agreement Reserve	905,370	-
	<u>\$ 39,588,648</u>	<u>\$ 38,832,461</u>

12. Taxation:

Taxation revenue, reported on the statement of operations, is comprised of the following:

	2014	2013
Municipal purposes:		
General	\$ 2,475,421	\$ 2,461,190
Utility	39,057	38,004
Parcel taxes	203,080	200,420
Grants in lieu of taxes	63,033	64,287
	<u>2,780,591</u>	<u>2,763,901</u>
Taxes levied for other authorities:		
School authorities	1,301,315	1,409,414
RCMP	129,575	128,693
Regional Hospital	173,861	183,614
Regional District	210,465	233,920
BC Assessment Authority	32,628	35,164
Vancouver Island Regional Library	95,251	91,811
Municipal Finance Authority	100	108
	<u>1,943,195</u>	<u>2,082,724</u>
Total taxes collected	<u>\$ 4,723,786</u>	<u>\$ 4,846,625</u>

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

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Year ended December 31, 2014

13. Grants and contributions:

The District recognizes the transfer of government funding received as revenues in the period that the events giving rise to the transfer occurred and the eligibility criteria have been met. Government transfers reported on the statement of operations are comprised of:

	2014	2013
Operating transfers:		
Small communities and equalization payments	\$ 204,325	\$ 205,605
Gas Tax Agreement Funds	905,370	132,360
Other	52,486	114,598
	1,162,181	452,563
Capital transfers	35,148	808,967
Total revenue	\$ 1,197,329	\$ 1,261,530

14. Pension plan:

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

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 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 District paid \$106,935 (2013 - \$108,202) for employer contributions to the plan in fiscal 2014.

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

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Year ended December 31, 2014

15. Trust funds:

Trust funds administered by the District have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations. The District holds trust funds under British Columbia law for the purposes of maintaining a public cemetery.

	2014	2013
Opening balance	\$ 24,994	\$ 24,858
Interest earned	30	116
Contribution	-	20
Ending balance	\$ 25,024	\$ 24,994

16. Commitments and contingencies:

- (a) Debt issued by the Regional District of Alberni Clayoquot ("RDAC"), under provisions of the Local Government Act, is a direct, joint and several liability of the RDAC and each member municipality within the RDAC, including the District.
- (b) In the normal course of a year, claims for damages are made against the District. The District records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The District is self-insured for general liability claims through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$5,000. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with the other participants, would be required to contribute towards the deficit.

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

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Year ended December 31, 2014

17. Financial plan data:

The financial plan data presented in these financial statements is based upon the 2014 operating and capital budgets approved by Council on May 13, 2014. The chart below reconciles the approved financial plan to the financial plan figures reported in these financial statements.

	Financial plan amount
Revenues:	
Financial plan	\$ 4,903,001
Total revenue	4,903,001
Expenses:	
Financial plan	5,567,405
Less cemetery expenses	(17,620)
Total expenses	5,549,785
Annual deficit	\$ (646,784)

18. Segmented information:

The District is a diversified municipal organization that provides a wide range of services to its citizens. District services are provided by departments and their activities reported separately. Certain functions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government

The general government operations provide the functions of corporate administration and legislative services and any other functions categorized as non-departmental.

Protective services

Protective services is comprised of three different functions, including the District's emergency management agency, fire, and regulatory services. The emergency management agency prepares the District to be more prepared and able to respond to, recover from, and be aware of, the devastating effects of a disaster or major catastrophic event that will impact the community. The fire department is responsible for providing critical, life-saving services in preventing or minimizing the loss of life and property from fire and natural or man-made emergencies. The mandate of the regulatory services is to promote, facilitate and enforce general compliance with the provisions of bylaws that pertain to the health, safety and welfare of the community and provide a full range of planning services related to zoning, development permits, variance permits, and current regulatory issues.

Transportation services

Transportation services is responsible for a wide variety of transportation functions such as roads

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

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Year ended December 31, 2014

18. Segmented information (continued):

and streets. As well, services are provided around infrastructure, transportation planning, pedestrian and cycling issues, harbour facilities, and on-street parking regulations, including street signs and painting.

Planning and environmental services

Planning works to achieve the District's community planning goals through the official community plan, and other policy initiatives. Environmental services was established to assist the Emergency, Planning, Public Works, and Recreation Departments with programs associated with the maintenance or improvement of natural ecosystems.

Recreation and cultural services

Parks is responsible for the maintenance and development of all park facilities. Cultural services facilitate the provision of recreation and wellness programs and services.

Water and Sewer Utilities

The Water and Sewer Utilities operate and distribute the water and sewer networks. They are responsible for the construction and maintenance of the water and sewer distributions systems, including mains and pump stations.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

18. Segmented information (continued):

2014	General Government	Protective Services	Transportation Services	Planning and Environmental Services	Recreation and Cultural Services	Water Utility	Sewer Utility	Total
Revenue:								
Taxation, net	\$ 2,577,511	\$ -	\$ -	\$ -	\$ -	\$ 79,915	\$ 123,165	\$ 2,780,591
Sale of services	3,376	-	358,647	5,550	271,110	486,892	414,873	1,540,448
Grants and contributions	1,168,856	15,900	7,000	-	5,573	-	-	1,197,329
Investment income	39,596	-	-	-	-	-	-	39,596
Other revenue from own sources	164,704	76,686	-	42,992	-	400	660	285,442
Total revenue	3,954,043	92,586	365,647	48,542	276,683	567,207	538,698	5,843,406
Expenses:								
Salaries and wages	398,300	112,134	300,789	181,916	438,383	237,633	158,819	1,827,974
Contracted services	125,773	31,236	299,622	9,827	142,312	85,215	61,575	755,560
Materials and supplies	12,653	42,493	88,882	5,378	132,429	26,977	25,003	333,815
Interest and other	270,636	73,069	120,885	39,624	164,519	6,748	3,002	678,483
Audit and legal	40,645	2,138	27,170	65,983	-	-	-	135,936
Telephone and utilities	40,150	2,746	42,429	-	46,195	56,639	65,172	253,331
Amortization	23,808	53,533	313,929	-	352,338	152,857	205,655	1,102,120
Total expenses	911,965	317,349	1,193,706	302,728	1,276,176	566,069	519,226	5,087,219
Annual surplus (deficit)	\$ 3,042,078	\$ (224,763)	\$ (828,059)	\$ (254,186)	\$ (999,493)	\$ 1,138	\$ 19,472	\$ 756,187

DISTRICT OF UCLUELET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

18. Segmented information (continued):

2013	General Government	Protective Services	Transportation Services	Planning and Environmental Services	Recreation and Cultural Services	Water Utility	Sewer Utility	Total
Revenue:								
Taxation, net	\$ 2,563,481	\$ -	\$ -	\$ -	\$ -	\$ 78,870	\$ 121,550	\$ 2,763,901
Sale of services	2,447	-	325,865	5,500	332,463	474,978	393,467	1,534,720
Grants and contributions	754,830	15,900	7,000	-	83,800	400,000	-	1,261,530
Investment income	66,322	-	-	-	-	-	-	66,322
Other revenue from own sources	217,904	63,108	14,000	34,779	-	384,900	4,796	719,487
Total revenue	3,604,984	79,008	346,865	40,279	416,263	1,338,748	519,813	6,345,960
Expenses:								
Salaries and wages	438,618	115,298	307,842	180,684	430,169	259,719	163,416	1,895,746
Contracted services	295,069	25,180	280,058	20,667	179,089	22,351	65,224	887,638
Materials and supplies	258,981	29,125	98,873	7,556	120,360	52,692	17,739	585,326
Interest and other	264,814	103,483	45,027	28,244	181,134	789	291	623,782
Audit and legal	99,275	-	16,170	39,423	-	-	-	154,868
Telephone and utilities	49,132	3,654	37,940	72	57,335	50,551	50,550	249,234
Amortization	-	61,444	292,888	-	348,487	100,383	192,040	995,242
Total expenses	1,405,889	338,184	1,078,798	276,646	1,316,574	486,485	489,260	5,391,836
Annual surplus (deficit)	\$ 2,199,095	\$ (259,176)	\$ (731,933)	\$ (236,367)	\$ (900,311)	\$ 852,263	\$ 30,553	\$ 954,124