

VILLAGE OF BELCARRA

ANNUAL FINANCIAL STATEMENTS
For the Year Ended December 31, 2013



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**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
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For the Year Ended December 31, 2013**

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Village of Belcarra

December 31, 2013

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Village of Belcarra ("Village") are the responsibility of management and have been approved by the Chief Administrative Officer on behalf of the Mayor and Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Village maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Village's assets are appropriately accounted for and adequately safeguarded.

The Village Mayor and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Village Mayor and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report.

The financial statements have been audited by D&H Group LLP, Chartered Accountants in accordance with Canadian generally accepted auditing standards. D&H Group LLP has full and free access to the Mayor and Council.

"Ralph Drew"

Mayor

"Lynda Floyd"

Chief Administrative Officer

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of
Village of Belcarra

We have audited the accompanying financial statements of Village of Belcarra, which comprise the statement of financial position as at December 31, 2013 and the statement of operations, statement of change in net debt and statement of 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 Village of Belcarra as at December 31, 2013, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vancouver, BC
May 26, 2014



Chartered Accountants

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**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
As at December 31, 2013**

	2013	2012
FINANCIAL ASSETS		
Cash	1,236,460	1,103,458
Investments (note 2)	213,585	211,411
Accounts receivable (note 3)	175,657	268,760
MFA debt cash deposit (note 4)	46,967	44,784
	1,672,669	1,628,413
LIABILITIES		
Accounts payable & accrued liabilities (note 5)	115,771	136,704
Performance bonds & refundable deposits (note 6)	144,660	152,254
Deferred revenue (note 7)	206,851	174,026
Long-term debt (note 8)	4,333,656	4,441,330
	4,800,938	4,904,314
NET DEBT	(3,128,269)	(3,275,901)
NON FINANCIAL ASSETS		
Prepaid expenses	15,480	15,756
Inventory held for consumption	18,539	18,655
Tangible capital assets (schedule 1)	11,736,637	11,865,239
	11,770,656	11,899,650
ACCUMULATED SURPLUS (note 9)	8,642,387	8,623,749

See Contingencies Note 10 and Commitments Note 11.
The Financial Statement Notes are an integral part of the Financial Statements.

"Lynda Floyd"

Lynda Floyd
Chief Administrative Officer

VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2013

	2013 Budget (unaudited)	2013 Actual	2012 Actual
REVENUES			
Municipal property taxes (note 12)	601,345	601,112	575,161
Water parcel taxes (note 13)	235,445	233,498	-
Grants in lieu of taxes	20,849	21,635	20,522
Fees and charges			
Recycle & refuse levy	79,755	79,954	78,346
Water levy	168,454	167,778	41,613
Water connection fees	61,500	37,892	33,210
Septic lease	2,100	2,100	2,100
Penalties & interest on fees & taxes	5,528	13,357	8,995
Permits and licences	27,050	32,875	15,274
Other	5,600	9,618	7,732
Interest income	3,540	18,809	7,183
Conditional operating transfers, other govt's	68,683	43,844	35,505
Unconditional transfers, other govt's	172,894	172,973	366,902
MFA actuarial	-	1,028	-
	1,452,743	1,436,473	1,192,543
EXPENSES			
Legislative	78,678	76,466	75,477
Administration	550,033	509,689	443,552
Transportation	267,454	216,788	199,954
Recycle & refuse	77,294	75,215	68,835
Water system	291,958	282,682	156,968
Amortization & loss on disposals	255,077	260,737	227,663
	1,520,494	1,421,577	1,172,449
REVENUES LESS EXPENSES BEFORE CAPITAL REVENUES	(67,751)	14,896	20,094
CAPITAL REVENUES			
Municipal road network grants recognized	100,000	3,742	138,610
Contributed capital assets	-	-	12,251
Water parcel tax	-	-	561,957
Conditional capital transfers, other govt's	2,500	-	-
	102,500	3,742	712,818
ANNUAL SURPLUS/(DEFICIT)	34,749	18,638	732,912
ACCUMULATED SURPLUS, Beginning of Year	8,623,749	8,623,749	7,890,837
ACCUMULATED SURPLUS, End of Year	8,658,498	8,642,387	8,623,749

See Note 14 Financial Plan (Budget) Reconciliation
The Financial Statement Notes are an integral part of the Financial Statements.

**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013**

	2013	2012
OPERATING ACTIVITIES		
Annual surplus	18,638	732,912
Non-cash items included in annual surplus:		
Amortization expense	260,737	138,949
Contributed tangible capital assets	-	(12,251)
Loss on disposal of tangible capital assets	-	88,714
Long-term debt actuarial adjustment	(1,029)	-
Changes in non-cash operating balances:		
Accounts receivable	93,103	714,912
MFA debt cash deposit	(2,183)	(44,784)
Inventory held for consumption	116	(18,655)
Performance bonds and refundable deposits	(7,594)	(7,018)
Accounts payable and accrued liabilities	(20,933)	(787,371)
Prepays	276	277
Deferred revenue	32,825	(85,931)
	373,956	719,754
CAPITAL ACTIVITY		
Built/purchased tangible capital assets	(132,135)	(2,580,718)
FINANCING ACTIVITY		
Debt principal repaid	(106,645)	-
Debt proceeds	-	2,724,101
	(106,645)	2,724,101
INVESTING ACTIVITY		
(Increase)/decrease in investments	(2,174)	(2,363)
INCREASE IN CASH	133,002	860,774
CASH, Beginning of Year	1,103,458	242,684
CASH, End of Year	1,236,460	1,103,458

The Financial Statement Notes are an integral part of the Financial Statements.

**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended December 31, 2013**

	2013 Budget (unaudited)	2013 Actual	2012 Actual
ANNUAL SURPLUS/(DEFICIT)	34,749	18,638	732,912
TANGIBLE CAPITAL ASSETS			
Acquisition of tangible capital assets	(483,868)	(132,135)	(2,580,718)
Contributed tangible capital assets	-	-	(12,251)
Amortization	255,077	260,737	138,949
Loss on disposal of tangible capital assets	-	-	88,714
	(228,791)	128,602	(2,365,306)
OTHER NON-FINANCIAL ASSETS			
Inventory acquired	-	(22,368)	(18,655)
Inventory consumed	-	22,484	-
Prepays consumed	-	276	277
	-	392	(18,378)
INCREASE/(DECREASE) IN NET DEBT	(194,042)	147,632	(1,650,772)
NET DEBT, Beginning of Year	(3,275,901)	(3,275,901)	(1,625,129)
NET DEBT, End of Year	(3,469,943)	(3,128,269)	(3,275,901)

The Financial Statement Notes are an integral part of the Financial Statements.

**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
SCHEDULE 1 - TANGIBLE CAPITAL ASSETS CONTINUITY
For the Year Ended December 31, 2013**

	Land	Buildings	Vehicle Machinery & Equipment	Office Furniture & Equipment
COST				
Opening Balance	329,318	358,197	241,708	106,280
Add: Additons		3,050		7,255
Less: Disposals				1,899
Closing Balance	329,318	361,247	241,708	111,636
ACCUMULATED AMORTIZATION				
Opening Balance		148,770	122,856	23,534
Add: Amortization		10,626	16,591	10,458
Less: Accumulated Amortization on Disposals				1,899
Closing Balance	-	159,396	139,447	32,093
Net Book Value, year ended 2013	329,318	201,851	102,261	79,543
Net Book Value, year ended 2012	329,318	209,427	118,852	82,746

Recycling Depot	Road Network	Storm Sewers	Water System	Assets Under Construction	2013 Actual	2012 Actual
74,751	2,364,366	295,598	9,593,830	508	13,364,556	11,036,429
24,657	38,929		37,647	20,597	132,135	9,600,784
8,000					9,899	7,272,657
91,408	2,403,295	295,598	9,631,477	21,105	13,486,792	13,364,556
44,750	685,947	235,651	237,809	-	1,499,317	1,536,495
5,484	54,915	7,396	155,267		260,737	138,949
8,000					9,899	176,127
42,234	740,862	243,047	393,076	-	1,750,155	1,499,317
49,174	1,662,433	52,551	9,238,401	21,105	11,736,637	
30,001	1,678,419	59,947	9,356,021	508		11,865,239

**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
SCHEDULE 2 - SEGMENTED INFORMATION - GENERAL FUND
For the Year Ended December 31, 2013**

	2013 Budget (unaudited)	2013 Actual	2012 Actual
REVENUE			
Municipal property taxes	601,345	601,112	575,161
Grants in lieu of taxes	20,849	21,635	20,522
Fees and charges	11,728	23,277	17,147
Permits and licences	27,000	32,860	15,214
Interest income	2,000	16,626	6,812
Conditional operating transfers, other govt's	68,683	43,844	35,505
Unconditional transfers from other govt's	172,894	172,973	366,902
	904,499	912,327	1,037,263
EXPENSES			
Legislative			
Indemnities & benefits	56,780	59,434	57,136
Council other	6,300	7,583	5,645
Grants & projects	15,598	9,449	12,696
	78,678	76,466	75,477
Administration			
Salaries & benefits	285,031	277,439	269,156
Human resources	14,138	20,257	17,290
Information systems	16,185	17,685	14,714
Municipal hall	103,782	109,654	87,627
Planning	62,000	29,596	5,963
Support services	74,600	65,056	50,754
Interest and bank expense	2,500	1,067	1,690
Other	3,107	85	6,479
Administration allocation recovery	(11,310)	(11,150)	(10,121)
	550,033	509,689	443,552
Transportation (non-municipal road network)			
Salaries & benefits	276,708	259,394	225,583
Vehicles, equipment & supplies	25,100	34,101	35,965
Public works allocation recovery	(137,605)	(134,460)	(107,052)
Roads, bridges etc. (contracts)	21,824	8,861	7,458
Trails & public spaces	9,744	367	2,495
	195,771	168,263	164,449
Transportation (municipal road network)	68,683	43,844	35,505
Fire protection & emergency preparedness	3,000	4,681	-
Amortization & loss on disposal of capital assets	96,047	99,985	171,761
	992,212	902,928	890,744
REVENUES LESS EXPENSES BEFORE CAPITAL REVENUES	(87,713)	9,399	146,519
CAPITAL REVENUES			
Contributed capital assets	-	-	12,251
Conditional capital transfers	102,500	3,742	138,610
ANNUAL SURPLUS/(DEFICIT)	14,787	13,141	297,380

VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
SCHEDULE 3 - SEGMENTED INFORMATION - RECYCLING & REFUSE FUND
For the Year Ended December 31, 2013

	2013 Budget (unaudited)	2013 Actual	2012 Actual
REVENUE			
Recycling & refuse fee	79,755	79,954	78,346
Permits and licences	50	15	60
Other fees	1,500	1,798	1,680
Interest income	540	-	-
	81,845	81,767	80,086
EXPENSES			
Public works allocation	24,561	24,460	22,709
Utilities	558	726	709
Labour contracts	6,285	6,750	6,847
Greenwaste contract	-	653	-
Materials & equipment	2,030	1,881	1,075
Processing & hauling fees	43,860	40,745	37,495
	77,294	75,215	68,835
Amortization	5,200	5,485	5,197
	82,494	80,700	74,032
ANNUAL SURPLUS/(DEFICIT)	(649)	1,067	6,054

**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
SCHEDULE 4 - SEGMENTED INFORMATION - WATER FUND
For the Year Ended December 31, 2013**

	2013 Budget (unaudited)	2013 Actual	2012 Actual
REVENUE			
Water levy	168,454	167,778	41,613
Water parcel taxes	235,445	233,498	-
Water connection fees	61,500	37,892	33,210
MFA actuarial	-	1,028	-
Interest	1,000	2,183	371
	<u>466,399</u>	<u>442,379</u>	<u>75,194</u>
EXPENSES			
Administration			
Administration allocation	11,310	11,150	10,121
Water purchases from GVWD	43,572	43,699	9,648
Other (environmental monitoring & VPA Lease)	16,740	13,676	25,645
	<u>71,622</u>	<u>68,525</u>	<u>45,414</u>
Water system operations			
Public works allocation	74,154	70,817	48,838
Utilities	5,382	5,371	1,342
Water mains repair & maintenance	6,000	150	-
Station repair & maintenance	1,500	3,932	-
Reservoir repair & maintenance	1,000	-	-
Materials & equipment	2,500	5,174	3,135
Water meter reading	500	-	-
Water quality	500	-	-
	<u>91,536</u>	<u>85,444</u>	<u>53,315</u>
Debt interest expense	128,800	128,713	31,591
Debt issue expense	-	-	26,648
Amortization	153,830	155,267	50,705
	<u>445,788</u>	<u>437,949</u>	<u>207,673</u>
REVENUES LESS EXPENSES BEFORE CAPITAL REVENUES	20,611	4,430	(132,479)
CAPITAL REVENUES			
Conditional capital transfers	-	-	-
Water parcel tax	-	-	561,957
	<u>-</u>	<u>-</u>	<u>561,957</u>
ANNUAL SURPLUS/(DEFICIT)	<u>20,611</u>	<u>4,430</u>	<u>429,478</u>

**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2013**

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The Financial Statements have been prepared in accordance with generally accepted accounting principles for local government as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Budget information has been aggregated to comply with these reporting standards. Certain comparative figures have been reclassified to conform to the current year's presentation.

(b) Accrual Accounting

Items recognized in the Financial Statements are accounted for in accordance with the accrual basis of accounting. The accrual basis of accounting recognizes the effect of transactions and events in the period in which they occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Liabilities are recognized until the obligation or condition(s) underlying the liability is partly or wholly satisfied. Assets are recognized until the future economic benefit underlying the asset is partly or wholly used or lost.

(c) Revenue Recognition

Taxation

Taxation levies for Village services are recognized as revenue when authorized at the time of issuing the tax notice. Taxation levies imposed by other taxing authorities are not included in these statements.

Fees and Charges (including permits and licenses)

Fees and charges are recognized as revenue when the service or product is provided by the Village.

Government Transfers (conditional and unconditional grants)

Unconditional transfer revenue is recognized when it has been authorized by the transferor. Conditional transfer revenue is recognized when the transfer has been authorized by the transferor and the Village has met all the eligibility criteria, unless the transfer creates a liability (conditions on the use of the funds that have not yet been fulfilled by the Village). Such transfers are recognized as revenue when the conditions of the transfer are satisfied. For conditional transfers for capital expenditures revenue is typically recognized when eligible expenditures are incurred by the Village.

**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Cash & Equivalents

Cash and equivalents include liquid investments with maturities of three months or less at acquisition.

(e) Investments

Investments are recorded at cost, except Municipal Finance Authority (MFA) Pooled Investment Funds which are recorded at market value. The carrying value of investments is reduced to its net realizable value if, in management's opinion, there is a permanent decline in value.

(f) 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.

(g) Non-Financial Assets

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

Intangible capital assets are not recorded as assets and are expensed when incurred.

Tangible Capital Assets (see Schedule 1)

Tangible Capital Assets are recorded at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a straight line basis over the estimated useful life of the asset commencing when the asset is put in to service.

Carrying costs directly attributable to the acquisition, construction or development activity, including interest costs, are capitalized to the point in time the asset is substantially complete and ready for use. Contributions or donations of tangible capital assets are recorded at fair value at the date of contribution/donation.

**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Non-Financial Assets (continued)

Estimated useful lives are as follows:

Type	Functional Use Category	Useful Life Range (years)
General:	Land	Not amortized
	Buildings	15-50
	Vehicles, machinery & equipment	2-20
	Office furniture & equipment	5-10
	Recycling depot	10-15
Infrastructure:	Road Network	35-50 Roads 75 Bridges 15-20 Other (signage, bank stabilization, etc.)
	Storm Sewer	40
	Water System	80-100 (mains), 10-50 (components)

(h) Use of Estimates

The preparation of Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses during the period. Significant areas requiring estimates include the determination of provisions for contingencies, net book value for tangible capital assets capitalized prior to 2009, and amortization expense. As such, actual amounts could differ from the estimates. If actual results differ, adjustments are reflected in operations when known.

2. INVESTMENTS

	<u>2013</u>	<u>2012</u>
MFA Money Market Fund	<u>\$ 213,585</u>	<u>\$ 211,411</u>

All funds bear interest at variable rates and can be accessed on demand. The annualized average rate of return for 2013 was 1.10% (2012 – 1.57%).

**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2013**

3. ACCOUNTS RECEIVABLE

	<u>2013</u>	<u>2012</u>
Municipal property taxes & user fees	\$ 58,047	\$ 35,889
Government grants	-	104,807
Refundable deposits (potable water project)	-	20,000
Goods & Service Tax (GST)	110,336	96,544
Other	7,274	11,520
	<u>\$ 175,657</u>	<u>\$ 268,760</u>

4. MFA DEBT CASH DEPOSIT

	<u>2013</u>	<u>2012</u>
MFA Debt Reserve Fund - Cash Deposit*	<u>\$ 46,967</u>	<u>\$ 44,784</u>
MFA Debt Reserve Fund - Demand Note	<u>\$ 73,309</u>	<u>\$ 73,309</u>

* Only the cash portion of the Debt Reserve Fund is reported in the Financial Statements.

The Municipal Finance Authority of British Columbia (“MFA”) provides capital financing for regional districts and their member municipalities. The MFA is required to establish a Debt Reserve Fund, composed of cash deposits and demand notes. The MFA must then use this fund if at any time there are insufficient funds to meet payments on its obligations; this event has not occurred since the inception of MFA in 1970. If this occurs, the regional districts and their member municipalities may be called upon to restore the fund.

Each member municipality, who shares in the proceeds of a debt issue, is required to execute a demand note in favour of the MFA and pay into the MFA cash reserve fund (cash deposit) certain amounts set out in the financing agreements. The interest earned on the cash deposit, less administrative expenses, becomes an obligation of MFA to the member municipalities. Upon the maturity of a debt issue, the demand note will be extinguished and the unused portion of the cash deposit will be paid to the municipality, including interest earned. Use of the cash deposit is restricted by legislation.

**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2013**

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2013</u>	<u>2012</u>
Payroll expenses	\$ 11,581	\$ 21,030
Potable water project payables & holdbacks	26,208	42,298
MFA debt interest expense accrual	31,053	31,138
Other accounts payables and accruals	46,929	42,237
	<u>\$ 115,771</u>	<u>\$ 136,703</u>

6. PERFORMANCE BONDS & REFUNDABLE DEPOSITS

	<u>2013</u>	<u>2012</u>
Performance bonds	\$ 139,211	\$ 146,805
Refundable deposits	5,449	5,449
	<u>\$ 144,660</u>	<u>\$ 152,254</u>

7. DEFERRED REVENUE

	<u>Balance Jan/1/2013</u>	<u>Contributions Received</u>	<u>Contributions Used (Revenue)</u>	<u>Balance Dec/31/2013</u>
Water connection fees	\$ 12,300	\$ -	\$ 12,300	\$ -
Water user fees	759	-	759	-
MIA grant (handicap access)*	2,000	-	-	2,000
TransLink grant (Bedwell Bay Road)*	17,178	99,000	47,561	68,617
Property Taxes paid in advance	141,789	252,528	258,083	136,234
	<u>\$ 174,026</u>	<u>\$ 351,528</u>	<u>\$ 318,703</u>	<u>\$ 206,851</u>

*These funds are externally restricted and must be used for the purposes for which they were collected.

TransLink Grant

Annually the Village receives a grant from TransLink intended to cover the operating and maintenance costs of Bedwell Bay Road as it is designated as part of the Region's major road network. Grants received in excess of actual costs are carried forward for use in future years.

Property Taxes Paid in Advance

Includes property tax overpayments and advance payments by property owners who choose to pay for the coming year's (2014) property taxes in advance of when they will be due (July 2014) under the Village's Tax Prepayment Plan. Approximately forty-seven, or 10%, of the Village's property owners currently participate in the Property Tax Prepayment Plan.

**VILLAGE OF BELCARRA
FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2013**

8. LONG-TERM DEBT

	2013	2012
Municipal Finance Authority Issue 121 (25 year term), Loan Authorization Bylaw 413-2008 & 432-2011, Potable Water Project, 2.90% (fixed 10 year rate), due October 4, 2037.	\$ 4,333,656	\$ 4,441,330

Interest expense on the long-term debt is \$128,713 (2012 - \$35,801 interim financing interest expense which was capitalized as part of the Potable Water Capital Works, and \$31,591 of long-term debt interest expense). Interest accrued on the long-term debt is \$31,053 (2012-\$31,138).

The issuance of long-term debt to a maximum of \$4,967,032, was approved under “The Village of Belcarra Water Supply and Distribution Local Area Service No. 1 Establishment and Loan Authorization Bylaw No. 413, 2008”, and Amendment Bylaw No. 442, 2011, to fund a portion of the potable water project construction completed in 2012. Issuance of this debt resulted in the Village exceeding its legislated liability servicing limit (annual interest and principal repayment costs) under the *Community Charter*, in 2011. The liability servicing limit resulting after incurrence of this debt was approved by the Inspector of Municipalities on November 10, 2011.

The Village’s ability to incur additional debt in future years (including entering into a capital lease arrangement, entering into other arrangements that are in substance financing arrangements beyond one year, and/or providing debt guarantees to third parties) is limited by legislation (*Community Charter* and *BC Regulation 254/2004 Municipal Liabilities*).

Principal payments payable, and estimated actuarial earnings on sinking funds (held by the Municipal Finance Authority) to be attributed against the debt payable in future years are:

	Principal	Actuarial	Total
2014	\$ 106,645	\$ 4,266	\$ 110,911
2015	106,645	8,702	115,347
2016	106,645	13,316	119,961
2017	106,645	18,115	124,760
2018	106,645	23,105	129,750
Future years:	2,026,256	1,706,671	3,732,927
	\$ 2,559,481	\$ 1,774,175	\$ 4,333,656

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9. ACCUMULATED SURPLUS

Accumulated surplus is represented by:

	<u>2013</u>	<u>2012</u>
Unappropriated Surplus/(Deficit)		
General Fund	\$ 574,459	\$ 542,984
Water Fund	(41,805)	(43,438)
Refuse & Recycling Fund	61,050	59,695
	<u>593,704</u>	<u>559,241</u>
Non-Statutory Reserves		
Operating	42,445	36,915
Strategic Communities Investment Advance	117,366	204,330
Climate Change	26,669	19,514
Water Debt Repayment	34,697	36,255
MFA Cash Deposit	46,967	44,784
	<u>268,144</u>	<u>341,798</u>
Statutory Reserves		
Transportation Capital (roads, bridges etc.)	145,346	87,310
Buildings Capital	81,867	64,118
Equipment Capital	65,649	58,328
Water Capital	19,080	4,472
Recycling & Refuse Capital	47,077	65,919
	<u>359,019</u>	<u>280,147</u>
Subtotal	<u>1,220,867</u>	<u>1,181,186</u>
Investment in Tangible Capital Assets & Inventory	<u>7,421,520</u>	<u>7,442,563</u>
	<u>\$ 8,642,387</u>	<u>\$ 8,623,749</u>

The Unappropriated Surplus is the amount of Accumulated Surplus remaining after deducting the other appropriated surplus balances (see below). It is available to temporarily finance operations until planned revenues (i.e. property taxes, fees, grants etc.) are received, or for other operating or capital purposes as determined by Council, to the extent that it is available as cash.

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9. ACCUMULATED SURPLUS (continued)

The Non-Statutory and Statutory Reserves are Accumulated Surplus that have been set aside by decision of Council for a specified purpose. The Statutory Reserves have been established by bylaw in accordance with the *Community Charter* and their use is restricted by the related bylaw and legislation. In the normal course of operations, these funds will be used to finance the future services or capital works for which they have been appropriated.

Investment in Tangible Capital Assets & Inventory is equal to the book value of the tangible capital assets and inventory less related long-term debt. In the normal course of operations the tangible capital assets and inventory will not be available to finance operations, but will be consumed/used to provide services, and the debt will be repaid by future period revenues.

10. CONTINGENCIES

(a) Municipal Pension Plan

The Village and its employees contribute to the Municipal Pension Plan (Plan), a jointly trusteed 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 179,000 active members and approximately 71,000 retired members. Active members include six contributors from the Village.

The most recent actuarial valuation as at December 31, 2012, indicated an unfunded liability of \$1,370 million 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 costs to the individual employers participating in the Plan.

The Village paid \$37,389 for employer contributions and \$29,948 for employee contributions to the Plan in fiscal 2013 (\$34,043 and \$28,695 respectively in 2012).

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10. CONTINGENCIES (continued)

(b) Regional District Debt

Debt of the Greater Vancouver Regional District (operating as Metro Vancouver) are, under the provisions of the *Community Charter*, a direct, joint and several liability of the Regional District and each member municipality, including the Village.

11. COMMITMENT UNDER OPERATING LEASE

The Village leases a photocopier under an operating lease which expires in March 2019. The Village is obligated to make the following minimum lease payments under this operating lease in the fiscal years ending:

2014	\$	3,126
2015		4,168
2016		4,168
2017		4,168
2018		4,168
2019		1,042
	\$	<u>20,840</u>

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12. PROPERTY TAXATION REVENUE

The Village is legislatively required to collect, and pay, property taxes on behalf of other governments. The amounts collected and paid are not recognized as revenues or expenses of the Village. Details of gross property taxes collected less amounts remitted to other governments and credits provided to taxpayers for the Home Owner Grant, are as follows:

	<u>2013</u>	<u>2012</u>
Municipal Property Taxes	\$ 601,188	\$ 575,323
Other Government Property Taxes		
School District - School Tax	684,983	718,820
Police Tax	65,069	61,983
Greater Vancouver Regional District	105,849	102,451
TransLink	121,858	128,217
BC Assessment & MFA	22,960	23,768
Total Other Government Property Taxes	<u>1,000,719</u>	<u>1,035,239</u>
Gross Property Taxes	<u>1,601,907</u>	<u>1,610,562</u>
Less: Provincial Home Owner Grant	113,000	100,553
Less: Transfers to Other Governments	887,795	934,848
	<u>1,000,795</u>	<u>1,035,401</u>
Municipal Property Taxes	<u>\$ 601,112</u>	<u>\$ 575,161</u>

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13. WATER PARCEL TAXES

Water parcel taxes are collected each year to pay the annual interest and principle debt payments on long-term debt incurred by the Village for the potable water system construction project. The water parcel tax commenced with the first debt payment requirement in 2013, and will continue for the twenty-five year term of the related debt (see long-term debt note 8), provided the debt is not otherwise repaid.

The water parcel charge is adjusted annually and is charged to all taxable parcels that benefit from the construction of the potable water system as defined in the Village of Belcarra Water Supply and Distribution Local Area Service No. 1 Establishment and Loan Authorization Bylaw No. 413, 2008.

14. FINANCIAL PLAN (BUDGET) RECONCILIATION

The Financial Plan (Budget) was adopted by Council on May 13, 2013. Legislatively, the Financial Plan must balance planned revenue sources with planned expenditures or use of funds (referred to as the balanced budget requirement). The table below demonstrates how the legislative requirement for a balanced budget has been met.

	<u>2013 Budget</u>	<u>2013 Actual</u>	<u>2012 Actual</u>
Surplus, Statement of Operations	\$ 34,749	\$ 18,638	\$ 732,912
Adjustments for non-cash items:			
Add back: Amortization expense	255,077	260,737	138,949
Add back: Loss on disposed capital assets	-	-	88,714
Add back: Inventory consumed	-	22,484	-
Add back: Debt Interest expense not paid	-	-	31,138
Deduct: MFA actuarial interest revenue	-	(1,029)	-
Deduct: contributed capital assets	-	-	(12,251)
Adjustments for cash items that are not revenues or expenses, but are sources or uses of funds:			
Less: capital expenditures	(483,868)	(132,135)	(2,580,718)
Less: inventory expenditures	(39,010)	(22,368)	(18,654)
Less: debt principal repayment	(106,645)	(106,645)	-
Plus: debt proceeds	-	-	2,724,101
Net transfers for operating or capital purposes:			
-(To)/from Statutory Reserves	200,059	(78,872)	295,579
-(To)/from Non-Statutory Reserves	82,622	73,654	(192,508)
-(To)/from Unappropriated Surplus	57,016	(34,464)	(1,207,262)
Financial Plan (Budget) Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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15. SMALL COMMUNITY INVESTMENT GRANT

The Village received a total of \$169,844 in Small Community Investment Fund (“SCIF”) grants in fiscal 2013 (\$363,398 in 2012). Grants received are used to fund a portion of the Village’s local government services to minimize the Village’s property tax increase in the respective years. As a result, the tax increases have been maintained at moderate increases, which are less than would be needed without the SCIF grants.

16. SEGMENTED REPORTING (see Schedules 2, 3, and 4)

The Village is a diversified municipal government that provides a variety of services to its citizens such as community planning & development, roads transportation network, refuse and recycling collection and disposal, and potable water services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows.

General Government Services

This segment comprises:

- Services necessary to operate the Village government such as finance and administrative services (property taxation administration and collection, human resources, reception, records management, legal, audit, information systems support etc.) and mayor and council support and expenses
- Services necessary to operate and maintain the Municipal Hall and the Public Works Yard
- Community planning & development services, including updating and maintenance of the Official Community Plan and related documents and bylaws, subdivision approval and building and other related inspections and approvals
- Bylaw development, administration and enforcement
- Community events (Belcarra Day) and community/council grants
- Public Works Operations, which comprises a number of services including maintenance of the road and storm sewer networks, snow removal, and trail maintenance

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16. SEGMENTED REPORTING (continued)

Recycling & Refuse Services

This segment provides recycling and refuse collection (by resident drop-off) and disposal of various recyclable and refuse materials. Staff expenses incurred directly related to this service are included in the Public Works Allocation.

Water Services

This segment provides potable water services. On October 1, 2012 the Village substantially completed the implementation of a potable water service for the community. Expenses incurred prior to October 1, 2012, with the exception of the annual allocation for General Government and Public Works expenses, were capitalized as part of the Potable Water System assets.

17. BANK INDEBTEDNESS

The Village has a revolving credit facility of \$230,000, payable on demand, bearing interest at the lender's prime rate of interest per annum and is not collateralized. The revolving credit facility is unused as at December 31, 2013.