

CITY OF PARKSVILLE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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YEAR ENDED DECEMBER 31, 2014

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**CITY OF PARKSVILLE
MANAGEMENT'S REPORT
2014 FINANCIAL STATEMENTS**

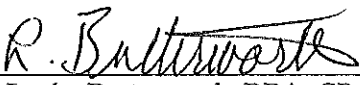
The preparation of these financial statements is the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards or stated accounting principles, and the integrity and objectivity of these statements are management's responsibility.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

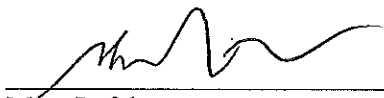
Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of Council. The Audit Committee meets with the external auditors two times per year.

The external auditors, McGorman MacLean, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of Council.

On behalf of City of Parksville



G. Lucky Butterworth, BBA, CPA, CGA
Director of Finance



Marc Lefebvre
Mayor

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the
City of Parksville

Report on Financial Statements

We have audited the accompanying consolidated statement of financial position of the City of Parksville as at December 31, 2014 and the consolidated statements of operations, cash flows and changes in net financial assets 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.

Auditors' 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 auditors' 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, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Parksville as at December 31, 2014 and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Parksville, Canada
May 4, 2015



CHARTERED ACCOUNTANTS

CITY OF PARKSVILLE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

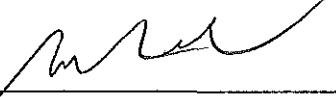
STATEMENT A

	2014	2013
FINANCIAL ASSETS		
Cash	\$ 694,952	\$ 4,677,617
Investments (Note 2)	35,741,241	26,284,492
Accounts receivable (Note 3)	4,041,188	3,017,229
	40,477,381	33,979,338
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	2,445,718	2,023,164
Deferred revenue	44,642	61,526
Deposits and other liabilities (Note 5)	2,932,624	2,840,285
Employee benefit accrual (Note 6)	465,081	459,195
Deferred revenue - federal gas tax (Note 7)	-	2,035,710
Deferred revenue - development cost charges (Note 8)	6,888,219	4,770,163
Long term debt (Note 9)	2,410,090	2,759,856
	15,186,374	14,949,899
NET FINANCIAL ASSETS	25,291,007	19,029,439
NON-FINANCIAL ASSETS		
Prepaid expenses	161,480	96,322
Inventory	23,327	19,964
Tangible capital assets (Note 10)	149,614,564	150,744,853
	149,799,371	150,861,139
ACCUMULATED SURPLUS (Note 11)	\$ 175,090,378	\$ 169,890,578

Contingent liabilities (Note 12)
MFA debt reserve fund (Note 13)



G. Lucky Butterworth, CPA, CGA
Director of Finance



Marc Lefebvre
Mayor

The accompanying notes are an integral part of these financial statements

CITY OF PARKSVILLE
CONSOLIDATED STATEMENT OF OPERATIONS
 YEAR ENDED DECEMBER 31, 2014

STATEMENT B

	2014 Budget (unaudited)	2014 Actual	2013 Actual
REVENUE			
Taxation	\$ 11,693,049	\$ 11,671,689	\$ 11,418,070
Water and sewer user fees	4,121,700	4,161,606	4,019,321
Services provided to other governments	483,097	460,377	506,302
Sale of services	1,423,950	1,447,427	1,507,755
Interest and actuarial earnings	265,000	685,883	514,180
Other revenue from own sources	206,600	282,456	262,026
Government transfers	500,947	2,901,000	369,826
Capital grants	429,800	445,130	714,112
Developer cash contributions	142,000	58,352	-
Developer contributions of tangible capital assets	-	-	828,886
Transfer from deferred revenue	3,685,657	401,997	1,693,869
Loss on disposal of tangible capital assets	-	(74,603)	(62,787)
	<u>22,951,800</u>	<u>22,441,314</u>	<u>21,771,560</u>
EXPENSES			
General government services	2,222,623	2,073,340	1,959,170
Protective services	3,880,180	3,412,974	3,341,683
Transportation services	4,539,400	3,792,795	3,817,634
Planning	846,900	735,652	808,157
Environmental health services	725,000	616,498	683,698
Parks and cultural services	2,624,260	2,427,337	2,273,856
Water services	2,789,869	2,959,680	2,108,365
Sewer services	1,538,500	1,223,238	1,076,359
	<u>19,166,732</u>	<u>17,241,514</u>	<u>16,068,922</u>
ANNUAL SURPLUS	3,785,068	5,199,800	5,702,638
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	<u>169,890,578</u>	<u>169,890,578</u>	<u>164,187,940</u>
ACCUMULATED SURPLUS AT END OF YEAR	<u>\$ 173,675,646</u>	<u>\$ 175,090,378</u>	<u>\$ 169,890,578</u>

The accompanying notes are an integral part of these financial statements

CITY OF PARKSVILLE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

STATEMENT C

	2014	2013
CASH PROVIDED BY OPERATIONS		
Annual surplus	\$ 5,199,800	\$ 5,702,638
Items not involving cash:		
Amortization	3,239,079	3,266,395
Loss on disposal of tangible capital assets	74,603	62,787
Write-down of tangible capital assets	678,008	-
Developer contributions of tangible capital assets	-	(828,886)
Actuarial reduction to long term debt	(152,122)	(137,281)
Changes in non-cash operating working capital:		
Decrease (increase)		
Investments	(9,456,749)	(10,193,580)
Accounts receivable	(1,023,958)	(257,748)
Prepaid expenses	(65,158)	(65,357)
Inventory	(3,363)	21,927
Increase (decrease)		
Accounts payable and accrued liabilities	422,554	291,496
Deferred revenue	(16,885)	34,795
Deposits and other liabilities	92,339	(153,709)
Employee benefit accrual	5,885	(16,464)
Deferred revenue - federal gas tax	(2,035,710)	359,340
Deferred revenue - development cost charges	2,118,057	(1,251,906)
Cash provided by (used in) operating transactions	(923,620)	(3,165,553)
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(2,891,401)	(5,031,093)
Proceeds from the sale of tangible capital assets	30,000	57,760
Cash applied to capital transactions	(2,861,401)	(4,973,333)
FINANCING TRANSACTIONS		
Long term debt repayment	(197,644)	(196,696)
INCREASE (DECREASE) IN CASH	(3,982,665)	(8,335,582)
CASH AT BEGINNING OF YEAR	4,677,617	13,013,199
CASH AT END OF YEAR	\$ 694,952	\$ 4,677,617
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash paid for interest on debt	\$ 229,802	\$ 231,733

The accompanying notes are an integral part of these financial statements

CITY OF PARKSVILLE
 CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
 YEAR ENDED DECEMBER 31, 2014

STATEMENT D

	Budget (unaudited)	2014	2013
ANNUAL SURPLUS	\$ 3,785,068	\$ 5,199,800	\$ 5,702,638
Acquisition of tangible capital assets	(13,814,758)	(2,891,400)	(5,859,979)
Amortization of tangible capital assets	3,362,200	3,239,078	3,266,395
Loss on disposal of tangible capital assets	-	74,603	62,787
Write-down of capital assets	-	678,008	-
Proceeds on sale of tangible capital assets	-	30,000	57,760
	(6,667,490)	6,330,089	3,229,601
Acquisition of supplies inventory	-	(23,327)	(19,964)
Acquisition of prepaid expenses	-	(161,480)	(96,322)
Consumption of supplies inventory	-	19,964	41,891
Use of prepaid expenses	-	96,322	30,965
	-	(68,521)	(43,430)
 INCREASE (DECREASE) IN NET FINANCIAL ASSETS	 (6,667,490)	 6,261,568	 3,186,171
 NET FINANCIAL ASSETS AT BEGINNING OF YEAR	 19,029,439	 19,029,439	 15,843,268
 NET FINANCIAL ASSETS AT END OF YEAR	 \$ 12,361,949	 \$ 25,291,007	 \$ 19,029,439

The accompanying notes are an integral part of these financial statements

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

The City of Parksville operates under the authority of the Local Government Act of British Columbia. The City's principal activities include the provision of services to residents of Parksville. These include protective services, engineering and public works, parks, community planning, general government, water, sewer and solid waste.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

Consolidated financial statements have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The consolidated statement of financial position includes all assets and liabilities of the City. Interfund transactions and balances have been eliminated.

b) Investments

Investments are comprised of term deposits and short-term guaranteed investment certificates which are backed by the Government of Canada or are subject to an insignificant risk of changes in value.

Investments are recorded at cost, adjusted for amortization of premiums or discounts. Provisions for losses are recorded when they are considered to be other than temporary. At various times during the term of each individual investment, market value may be less than cost. Such declines in value are considered temporary for investments with known maturity dates as they generally reverse as the investments mature and therefore an adjustment to market value of these market declines is not recorded.

c) Non-financial assets

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

Inventory

The City maintains a minimal level of parts and supplies on hand. Larger inventory items are included on the statement of financial position and are recorded at cost at year end. Spare parts and supplies are expensed when purchased.

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Non-financial assets (continued)

Tangible capital assets

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

Land improvements	10 - 50 years
Buildings	50 years
Vehicles, machinery and equipment	5 - 60 years
Roads, sidewalks and lighting	20 - 75 years
Storm sewer systems	50 - 70 years
Water systems and Arrowsmith dam	10 - 80 years
Sanitary sewer systems	10 - 70 years

A full year of amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are initially recorded as work-in-progress and are not amortized until the asset is available for productive use.

d) Basis of accounting

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when 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. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service performed.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Expenses are recorded in the period the goods and services are acquired and a liability is incurred or transfers are due.

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results may differ from these estimates.

In 2009, the City's implementation of the Public Sector Accounting Handbook PS3150 required management to make estimates of historical cost and useful remaining lives of tangible capital assets. Actual results may differ from these estimates.

2. INVESTMENTS

		<u>2014</u>	<u>2013</u>
Short term notes and deposits	Cost	\$ 28,348,241	\$ 22,280,492
Long term notes and deposits	Cost	7,393,000	4,004,000
		<u>\$ 35,741,241</u>	<u>\$ 26,284,492</u>
Short term notes and deposits	Market value	\$ 28,348,241	\$ 22,280,492
Long term notes and deposits	Market value	7,393,000	4,004,000
		<u>\$ 35,741,241</u>	<u>\$ 26,284,492</u>

Short term notes and deposits have interest rates varying from 1.70% to 2.40% (2013 - 1.60% to 2.15%) and mature in less than one year. Long term notes and deposits have interest rates varying from 1.95% to 2.35% (2013 - 2.35% to 2.40%).

3. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>	
Property taxes and utilities receivable	\$ 784,645	\$ 884,903	
Accrued utilities receivable	1,008,750	1,027,300	
Accrued development cost charges receivable	895,120	-	
Receivable from federal government	86,505	266,405	
Receivable from other government agencies	624,314	348,456	
Trade accounts receivable	176,985	140,290	
Accrued interest receivable	464,869	349,875	
		<u>\$ 4,041,188</u>	<u>\$ 3,017,229</u>

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Payable to federal government	\$ 554,330	\$ 482,463
Payable to provincial government	69,144	58,162
Payable to other government agencies	548,037	195,785
Trade accounts payable	815,862	839,469
Accrued payroll and vacation payable	458,345	447,285
	<u>\$ 2,445,718</u>	<u>\$ 2,023,164</u>

5. DEPOSITS AND OTHER LIABILITIES

	<u>2014</u>	<u>2013</u>
Prepaid property taxes and utilities	\$ 1,695,048	\$ 1,533,038
Property tax sale deposits	-	14,270
Development security deposits	951,322	983,587
Developer contributions and grant deposits	286,254	308,890
Building permit and other advance deposits	-	500
	<u>\$ 2,932,624</u>	<u>\$ 2,840,285</u>

6. EMPLOYEE BENEFIT ACCRUAL

	<u>2014</u>	<u>2013</u>
Retirement benefits payable	\$ 428,791	\$ 382,196
Sick time accrual	36,290	76,999
	<u>\$ 465,081</u>	<u>\$ 459,195</u>

Retirement benefits - employees who retire may qualify for a payout of their accumulated unused sick leave bank. Union employees may qualify for a 100% payout of up to 60 days and non-union staff qualify for a 50% payout of their unused sick days up to 261 days maximum payout if certain restrictions are met. The City calculates the value of this liability based on a statistical analysis of the age and length of service of its workforce. The liability reflects the likelihood that employees will reach the age of 60, retire and become eligible for this benefit.

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

7. DEFERRED REVENUE - FEDERAL GAS TAX

Federal gas tax funding is provided by the Government of Canada and the use of the funding is established by a funding agreement between the local government and the Union of BC Municipalities. Funding must be used for designated capital projects as specified in the funding agreement.

Prior to 2014, the City reported the balance of unspent federal gas tax funding as deferred revenue until it was used to fund specified capital projects. Also, interest was accrued on the unspent balance and included in deferred revenue. In 2014, a new Gas Tax Fund agreement was signed which lifted many of the restrictions on the use of the gas tax funds. Under the new agreement, it is the opinion of the City of Parksville, that government transfers under this program no longer give rise to an obligation that meets the definition of a liability. Accordingly, the funds are recognized as revenue when received. All funds received under the old funding agreement are now subject to this revised spending criteria and have been recognized as revenue in the current year.

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 2,035,710	\$ 1,676,370
Contributions from government	-	345,294
Interest	-	30,696
Transfer to revenue	<u>(2,035,710)</u>	<u>(16,650)</u>
Balance at end of year	<u>\$ -</u>	<u>\$ 2,035,710</u>

8. DEFERRED REVENUE - DEVELOPMENT COST CHARGES

Development cost charges represent funds collected or collectible from developments for capital purposes as specified by a bylaw under the authority of the Community Charter. The collections from development are recorded as a deferred revenue until such time as they are spent for the purposes specified in the City bylaw.

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 4,770,163	\$ 6,022,069
Development cost charge collections	1,784,814	348,182
Development cost charge receivables	632,550	-
Interest	102,689	93,781
Transfer to revenue	<u>(401,997)</u>	<u>(1,693,869)</u>
Balance at end of year (Schedule 2)	<u>\$ 6,888,219</u>	<u>\$ 4,770,163</u>

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

9. LONG TERM DEBT

General Revenue Fund

<u>Debenture Debt</u> <u>Purpose</u>	Maturity <u>Date</u>	Interest <u>Rate</u>	<u>2014</u>	<u>2013</u>
Civic and Technology Centre	Dec. 2021	3.05%	\$ 487,529	\$ 544,556
Civic and Technology Centre Northwest Bay Road	Dec. 2021	2.10%	396,748	436,318
Local Improvement	Apr. 2025	5.10%	489,182	527,297
			<u>1,373,459</u>	<u>1,508,171</u>

Water Utility Fund

<u>Debenture Debt</u> <u>Purpose</u>	Maturity <u>Date</u>	Interest <u>Rate</u>	<u>2014</u>	<u>2013</u>
Water	Mar. 2018	4.65%	341,444	416,890
Water	Sep. 2018	4.65%	560,536	684,394
Water	Jun. 2021	3.05%	134,651	150,401
			<u>1,036,631</u>	<u>1,251,685</u>
Total long term debt			<u>\$ 2,410,090</u>	<u>\$ 2,759,856</u>

Principal due over the next five years on long term debt is as follows:

	General <u>Fund</u>	Water <u>Fund</u>	<u>Total</u>
2015	\$ 93,977	\$ 104,639	\$ 198,616
2016	94,973	104,639	199,612
2017	95,995	104,639	200,634
2018	97,044	104,639	201,683
2019	98,118	8,770	106,888
	<u>\$ 480,107</u>	<u>\$ 427,326</u>	<u>\$ 907,433</u>

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

10. TANGIBLE CAPITAL ASSETS

	2014	2013
Land and land improvements	\$ 53,959,513	\$ 53,959,513
Buildings	10,842,509	10,842,509
Vehicles, machinery and equipment	6,533,105	6,063,321
Infrastructure		
Roads, sidewalks and lighting	54,547,470	54,264,172
Storm sewer systems	24,638,770	24,597,839
Water systems and Arrowsmith dam	34,029,641	34,029,641
Sanitary sewer systems	16,132,738	16,132,738
Work-in-progress	3,692,954	2,722,512
	204,376,700	202,612,245
Less: Accumulated amortization	54,762,136	51,867,392
Net book value (Schedule 1)	\$ 149,614,564	\$ 150,744,853

Land and land improvements include the cost of land under roads recognized at fair market value at the date of acquisition.

Contributed tangible capital assets are recognized at fair market value at the date of contribution. In 2014, no tangible capital assets were contributed and included in infrastructure (2013 - \$828,886).

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

11. ACCUMULATED SURPLUS

	<u>2014</u>	<u>2013</u>
Restricted Surplus		
General revenue fund reserves for future expenditures	\$ 6,672,417	\$ 4,839,637
Water utility fund reserves for future expenditures	2,061,308	1,045,500
Sewer utility fund reserves for future expenditures	385,650	483,950
Equity in Arrowsmith Water Services Joint Venture reserves	<u>175,511</u>	<u>156,341</u>
	9,294,886	6,525,428
General revenue fund capital reserve	183,890	180,506
Water utility fund capital reserve	158,014	155,107
Sewer utility fund capital reserve	686,522	673,889
Reserve funds (Schedule 3)	<u>4,232,069</u>	<u>1,363,735</u>
	<u>14,555,381</u>	<u>8,898,665</u>
Unrestricted Surplus		
General revenue fund	5,189,136	5,266,672
Water utility fund	5,444,685	5,208,487
Sewer utility fund	<u>2,696,702</u>	<u>2,531,758</u>
	<u>13,330,523</u>	<u>13,006,917</u>
Equity in tangible capital assets		
General revenue fund	109,369,722	109,932,603
Water utility fund	27,503,353	27,439,291
Sewer utility fund	<u>10,331,399</u>	<u>10,613,102</u>
	<u>147,204,474</u>	<u>147,984,996</u>
	<u>\$ 175,090,378</u>	<u>\$ 169,890,578</u>

The restricted surplus represents reserves to be used to fund specified future expenditures, as authorized by Council. It includes statutory reserves set-up by bylaw under the authority of the Community Charter, a reserve fund for the federal gas tax program which must be spent on stipulated projects, and reserve accounts, for which Council is not restricted by external parties in providing for the use of funds.

The unrestricted surplus represents the accumulated operating surpluses of the City.

CITY OF PARKSVILLE
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2014

12. CONTINGENT LIABILITIES

- a) The City is responsible, as a member of the Regional District of Nanaimo and the Nanaimo Regional Hospital District, for its proportion of any operating deficits or capital debt related to functions in which it participates.
- b) The City has issued demand notes to the Regional District of Nanaimo totalling \$197,998. These notes are callable only if required by the Regional District.
- c) The municipality 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 pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has approximately 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local government.

The most recent 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 City of Parksville paid \$424,771 (2013 - \$411,350) for employer contributions to the Plan in fiscal 2014.

- d) Other contingent liabilities consisting of routine claims will be accounted for as an expense in the period in which the costs are incurred. It is not possible to determine the City's liability, if any, with respect to these other matters.

13. MFA DEBT RESERVE FUND

The Municipal Finance Authority requires the City to establish a reserve fund equal to one-half the annual instalment of principal and interest of debentures issued. The cash portion of the fund is equal to one percent of the total principal with the remainder to be covered by a non-interest bearing promissory note. The balance of the MFA debt reserve fund is as follows:

	2014	2013
Cash	\$ 111,610	\$ 108,466
Demand note	197,998	197,998
	\$ 309,608	\$ 306,464

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

14. SEGMENTED INFORMATION

The City of Parksville provides a diverse range of services to its citizens including water and sewer, fire, police, bylaw, building inspections and park maintenance among others. The City maintains three separate funds (general revenue, water revenue and sewer revenue) to account for the services. Each fund is expected to cover its expenditures through its own revenue collections.

City services are provided by departments and their activities are reported in one of these funds. Certain departments have been amalgamated to reduce the number of segments and provide information along the following related functional lines:

Protective Services

Includes the provision of police, fire, bylaw and emergency services. The City shares costs in a regional police force that serves Parksville, Qualicum Beach, French Creek, Errington and other local areas within the Regional District of Nanaimo. The City of Parksville has an allocation of 16 police officers. The Parksville volunteer fire department includes three full time officers and 36 volunteer members and provides first responder services in addition to fire protection to Parksville and part of the Regional District of Nanaimo (half of French Creek, San Paniel, and Martindale Road). Bylaw enforcement is provided part time by 2 bylaw officers, one of which also acts as the emergency program coordinator.

Engineering and Public Works

Responsible for the delivery of municipal public works services including the planning, development and maintenance of roads, sidewalks, street lighting, traffic signals, snow removal and facilities. The engineering department also contracts itself to the water and sewer revenue funds for the planning and development of the City's water and sewer infrastructure.

Parks and Cultural Services

Maintains the City's numerous parks and roadside greenery. It also maintains the recreational sports fields, hard courts, dog park and children's playgrounds. Cultural services include the costs paid to the Vancouver Island Regional Library and Parksville community centres.

Community Planning

Manages urban development for environmental concerns, local neighbourhoods and the downtown through City planning, community development, parks and sustainability planning. It ensures acceptable quality of building construction and property maintenance through enforcement of construction and building codes and standards. It also assists economic development through review and approval of land development plans, application of zoning by-laws and processing of building permit applications.

General Government

Provides services for legislative and general administration as well as financial management, revenue collection, human resources and information technology.

Other Services

Includes activities which do not easily fit into any of the above segment categories including unallocated common service costs and insurance.

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

14. SEGMENTED INFORMATION (continued)

Water, Sewer, and Solid Waste

Water and Sewer are each accounted for in their own funds and are consolidated for segmentation purposes. The water fund is responsible for providing water to the citizens of Parksville including the maintenance of the water distribution and supply system. The sewer fund is responsible for the maintenance of the sanitary sewer collection system. The planning and development of the systems is provided by the Engineering department. Solid waste collection and disposal is contracted out by the City to the Regional District of Nanaimo.

See Schedule 4 for a detailed summary of the revenues and expenses of each segment for 2013 and 2014.

15. EXPENSES BY OBJECT

The following is a summary of expenses by object:

<u>Expense Object</u>	<u>2014</u>	<u>2013</u>
Wages and benefits	\$ 6,305,399	\$ 6,145,682
Consulting and contract services	4,536,890	4,360,949
Materials and supplies	1,420,177	1,242,769
Office and insurance	497,187	465,610
Write-down of tangible capital assets	678,008	-
Amortization of tangible capital assets	3,239,079	3,266,395
Interest	240,744	239,189
Grants	324,030	348,328
	<u>\$ 17,241,514</u>	<u>\$ 16,068,922</u>

16. ANNUAL BUDGET

The financial statements include unaudited budget data from the Annual Budget as adopted by Council on May 7, 2014.

17. COMPARATIVE FIGURES

Certain 2013 comparative figures have been changed to reflect financial statement presentation adopted in the current year.

**CITY OF PARKSVILLE
SCHEDULE OF TANGIBLE CAPITAL ASSETS**

SCHEDULE 1

AS AT DECEMBER 31, 2014

	ASSET COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE
	Balance December 31, 2013	2014 Additions	2014 Disposals	Balance December 31, 2014	Balance December 31, 2013	2014 Amortization	2014 Disposals	Balance December 31, 2014	
Land	\$ 48,167,741	\$ -	\$ -	\$ 48,167,741	\$ -	\$ -	\$ -	\$ -	\$ 48,167,741
Land improvements	5,791,772	-	-	5,791,772	2,187,910	213,818	-	2,401,728	3,390,044
Buildings	10,842,509	-	-	10,842,509	2,109,812	224,299	-	2,334,111	8,508,398
Vehicles and equipment	6,063,321	835,464	365,680	6,533,105	3,440,388	482,501	292,544	3,630,345	2,902,760
Roads, sidewalks, lighting	54,264,172	342,724	59,426	54,547,470	21,203,382	1,073,802	42,258	22,234,926	32,312,544
Storm sewer system	24,597,839	64,763	23,832	24,638,770	7,334,229	411,961	9,533	7,736,657	16,902,113
Water system & AWS dam	34,029,641	-	-	34,029,641	10,031,612	559,462	-	10,591,074	23,438,567
Sanitary sewer system	16,132,738	-	-	16,132,738	5,560,059	273,236	-	5,833,295	10,299,443
Work-in-progress	2,722,512	1,648,450	678,008	3,692,954	-	-	-	-	3,692,954
	\$ 202,612,245	\$ 2,891,401	\$ 1,126,946	\$ 204,376,700	\$ 51,867,392	\$ 3,239,079	\$ 344,335	\$ 54,762,136	\$ 149,614,564

AS AT DECEMBER 31, 2013

	ASSET COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE
	Balance December 31, 2012	2013 Additions	2013 Disposals	Balance December 31, 2013	Balance December 31, 2012	2013 Amortization	2013 Disposals	Balance December 31, 2013	
Land	\$ 47,402,953	\$ 764,788	\$ -	\$ 48,167,741	\$ -	\$ -	\$ -	\$ -	\$ 48,167,741
Land improvements	5,245,460	601,721	55,409	5,791,772	2,014,763	214,308	41,161	2,187,910	3,603,862
Buildings	10,842,509	-	-	10,842,509	1,885,513	224,299	-	2,109,812	8,732,697
Vehicles and equipment	6,005,771	214,103	156,553	6,063,321	3,110,577	486,363	156,552	3,440,388	2,622,933
Roads, sidewalks, lighting	52,502,030	2,115,990	353,848	54,264,172	20,420,717	1,097,929	315,264	21,203,382	33,060,790
Storm sewer system	24,062,958	568,323	33,442	24,597,839	6,939,300	411,278	16,349	7,334,229	17,263,610
Water system & AWS dam	33,797,652	336,695	104,706	34,029,641	9,526,470	559,462	54,320	10,031,612	23,998,029
Sanitary sewer system	16,096,007	38,138	1,407	16,132,738	5,288,475	272,756	1,172	5,560,059	10,572,679
Work-in-progress	1,502,291	1,220,221	-	2,722,512	-	-	-	-	2,722,512
	\$ 197,457,631	\$ 5,859,979	\$ 705,365	\$ 202,612,245	\$ 49,185,815	\$ 3,256,395	\$ 584,818	\$ 51,867,392	\$ 150,744,853

CITY OF PARKSVILLE
 SCHEDULE OF DEFERRED REVENUE - DEVELOPMENT COST CHARGE ACTIVITIES
 AS AT DECEMBER 31, 2014

SCHEDULE 2

	Public Open Space	Water	Sanitary Sewer	Storm Sewer	Roads	<u>2014</u> Total	<u>2013</u> Total
Balance at beginning of year	\$ 2,099,685	\$ 791,976	\$ 60,289	\$ 71,966	\$ 1,746,247	\$ 4,770,163	\$ 6,022,069
Add:							
Development cost charge collections	199,097	880,305	40,431	143,053	521,928	1,784,814	348,182
Development cost charge receivables	64,615	254,298	13,056	42,921	257,660	632,550	-
Interest	41,138	19,663	1,493	2,604	37,791	102,689	93,781
Less:							
Transfers to:							
General capital projects	(25,193)	-	-	(2,844)	2,897	(25,140)	(1,257,366)
Water capital projects	-	(376,857)	-	-	-	(376,857)	(436,503)
Balance at end of year	<u>\$ 2,379,342</u>	<u>\$ 1,569,385</u>	<u>\$ 115,269</u>	<u>\$ 257,700</u>	<u>\$ 2,566,523</u>	<u>\$ 6,888,219</u>	<u>\$ 4,770,163</u>

CITY OF PARKSVILLE
 SCHEDULE OF RESERVE FUND ACTIVITIES
 AS AT DECEMBER 31, 2014

SCHEDULE 3

							<u>2014</u>	<u>2013</u>	
	Land Sale Reserve	General Parkland Reserve	Off Street Parking Reserve	Federal Gas Tax Reserve (Note 7)	Equipment Replacement Reserve			Total Reserves	Total Reserves
Balance at beginning of year	\$ 128,581	\$ 50,118	\$ 218,784	\$ -	\$ 966,252	\$ 1,363,735		\$ 1,821,186	
Add:									
Contributions	-	45,250	-	2,575,285		2,620,535		-	
Proceeds on sale of equipment					-	-		57,760	
Equipment rental					484,583	484,583		489,884	
Interest	2,410	1,125	4,101	41,224	19,048	67,908		21,465	
Less:									
Transfers to:									
General capital	-	-	-	-		-		(650,000)	
Equipment operations					(304,692)	(304,692)		(264,167)	
Equipment capital					-	-		(112,393)	
Balance at end of year	<u>\$ 130,991</u>	<u>\$ 96,493</u>	<u>\$ 222,885</u>	<u>\$ 2,616,509</u>	<u>\$ 1,165,191</u>	<u>\$ 4,232,069</u>		<u>\$ 1,363,735</u>	

**CITY OF PARKSVILLE
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2014**

SCHEDULE 4

	Protective Services	Engineering and Public Works	Parks and Cultural Services	Community Planning	General Government	Other Services	Water, Sewer and Solid Waste	Adjustments and Eliminations	2014 Consolidated Totals
Revenues									
External taxes	\$ -	\$ -	\$ 539,754	\$ -	\$ 11,059,156	\$ -	\$ 72,779	\$ -	\$ 11,671,689
Fees and charges	31,535	325,999	10,160	405,406	60,318	-	4,828,389	-	5,661,807
Other sources	442,213	41,706	192,522	-	3,194,742	7,757	301,902	96,100	4,276,942
Capital grants and developer contributions	-	28,102	-	-	-	-	430,130	45,250	503,482
Transfers from DCC reserves	-	(53)	25,193	-	-	-	376,857	-	401,997
Internal charges	-	389,750	-	-	624,101	77,049	-	(1,090,900)	-
Loss on disposal of tangible capital assets	(43,136)	(31,467)	-	-	-	-	-	-	(74,603)
	<u>430,612</u>	<u>754,037</u>	<u>767,629</u>	<u>405,406</u>	<u>14,938,317</u>	<u>84,806</u>	<u>6,010,057</u>	<u>(949,550)</u>	<u>22,441,314</u>
Expenses									
Labour	850,573	1,538,169	785,234	705,412	1,674,148	-	654,879	-	6,208,415
Consulting and contract services	2,126,526	634,807	685,758	12,109	219,007	197	824,843	-	4,503,247
Other	217,654	549,917	613,649	16,399	208,266	187,576	1,256,568	-	3,050,029
Internal charges	51,511	-	20,300	-	-	-	1,019,089	(1,090,900)	-
Amortization of tangible capital assets	166,710	1,754,868	201,666	-	228,098	-	887,737	-	3,239,079
	<u>3,412,974</u>	<u>4,477,761</u>	<u>2,306,607</u>	<u>733,920</u>	<u>2,329,519</u>	<u>187,773</u>	<u>4,643,116</u>	<u>(1,090,900)</u>	<u>17,000,770</u>
Fiscal Services									
Interest	-	73,552	-	-	10,942	-	156,250	-	240,744
Segment surplus (deficit)	<u>\$ (2,982,362)</u>	<u>\$ (3,797,276)</u>	<u>\$ (1,538,978)</u>	<u>\$ (328,514)</u>	<u>\$ 12,597,856</u>	<u>\$ (102,967)</u>	<u>\$ 1,210,691</u>	<u>\$ 141,350</u>	<u>\$ 5,199,800</u>

**CITY OF PARKSVILLE
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2013**

SCHEDULE 4

	Protective Services	Engineering and Public Works	Parks and Cultural Services	Community Planning	General Government	Other Services	Water, Sewer and Solid Waste	Adjustments and Eliminations	2013 Consolidated Totals
Revenues									
External taxes	\$ -	\$ -	\$ 507,468	\$ -	\$ 10,838,203	\$ -	\$ 72,399	\$ -	\$ 11,418,070
Fees and charges	44,957	375,727	9,935	342,493	45,219	-	4,761,387	-	5,579,718
Other sources	443,180	60,606	194,357	16,690	572,746	7,978	245,177	58,958	1,599,692
Capital grants and developer contributions	-	689,236	177,275	-	-	-	676,487	-	1,542,998
Transfers from DCC reserves	-	1,158,366	99,000	-	-	-	436,503	-	1,693,869
Internal charges	-	363,000	-	-	584,219	70,781	-	(1,018,000)	-
Loss on disposal of tangible capital assets	-	(12,165)	-	-	-	-	(50,622)	-	(62,787)
	<u>488,137</u>	<u>2,634,770</u>	<u>988,035</u>	<u>359,183</u>	<u>12,040,387</u>	<u>78,759</u>	<u>6,141,331</u>	<u>(959,042)</u>	<u>21,771,560</u>
Expenses									
Labour	839,496	1,480,891	743,300	763,752	1,636,643	-	617,051	-	6,081,133
Consulting and contract services	2,048,822	655,899	674,249	18,328	162,533	338	783,319	-	4,343,488
Other	227,826	540,608	502,405	17,936	197,967	171,366	480,609	-	2,138,717
Internal charges	55,662	-	20,200	-	-	-	942,138	(1,018,000)	-
Amortization of tangible capital assets	169,877	1,806,123	202,156	-	199,183	-	889,056	-	3,266,395
	<u>3,341,683</u>	<u>4,483,521</u>	<u>2,142,310</u>	<u>800,016</u>	<u>2,196,326</u>	<u>171,704</u>	<u>3,712,173</u>	<u>(1,018,000)</u>	<u>15,829,733</u>
Fiscal Services									
Interest	-	75,483	-	-	7,456	-	156,250	-	239,189
Segment surplus (deficit)	<u>\$ (2,853,546)</u>	<u>\$ (1,924,234)</u>	<u>\$ (1,154,275)</u>	<u>\$ (440,833)</u>	<u>\$ 9,836,605</u>	<u>\$ (92,945)</u>	<u>\$ 2,272,908</u>	<u>\$ 58,958</u>	<u>\$ 5,702,638</u>