

**The Corporation of the City of
North Vancouver
Consolidated Financial Statements
For the year ended December 31, 2013**



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Corporation of the City of North Vancouver

We have audited the accompanying consolidated financial statements of the Corporation of the City of North Vancouver, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations, changes 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 an 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 Corporation of the City of North Vancouver as at December 31, 2013, 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.

KPMG LLP

Chartered Accountants

May 5, 2014

Burnaby, Canada

**The Corporation of the City of North Vancouver
Consolidated Statement of Financial Position
As at December 31, 2013 with comparative figures for 2012
(in thousands of dollars)**

	<u>2013</u>	<u>2012</u>
		Recast (note 14)
FINANCIAL ASSETS		
Cash	\$ 4,585	\$ 1,856
Temporary investments (note 3(a))	28,667	40,962
Portfolio investments (note 3(b))	121,435	117,541
Investment in Lonsdale Energy Corp. (note 4)	1,689	1,831
Due from other governments	3,725	3,285
Accounts receivable	9,592	15,606
Loan to Lonsdale Energy Corp. (note 5)	9,577	-
Interest receivable	7,977	6,910
	<u>187,247</u>	<u>187,991</u>
LIABILITIES		
Accounts payable and accrued liabilities	15,195	14,054
Deferred revenue	21,026	20,743
Deferred development cost charges	20,601	19,003
Long-term debt (note 6)	1,833	2,000
Employee future benefits (note 7)	6,331	5,967
Advances and other liabilities	8,400	8,478
	<u>73,386</u>	<u>70,245</u>
NET FINANCIAL ASSETS	<u>113,861</u>	<u>117,746</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 8)	248,860	207,314
Inventories	410	289
Prepaid expenses	1,093	873
	<u>250,363</u>	<u>208,476</u>
ACCUMULATED SURPLUS (note 9)	<u>\$ 364,224</u>	<u>\$ 326,222</u>

Commitments and contingencies (note 10)
See accompanying notes to the consolidated financial statements

Director of Finance

The Corporation of the City of North Vancouver
Consolidated Statement of Operations
Year ended December 31, 2013 with comparative figures for 2012
(in thousands of dollars)

	2013 Budget	2013	2012
	(notes 2(g) and 13)		Recast (note 14)
REVENUE			
Property value tax	\$ 46,786	\$ 46,835	\$ 44,612
Parcel taxes	2,249	2,240	2,132
Licences and permits	3,298	3,415	4,313
Fines and fees	3,869	4,358	4,589
Rent	1,336	1,314	1,248
Interest and penalties	2,089	5,950	6,461
Sale of services	21,565	22,177	21,463
Rebate and recoveries	74	248	682
Grants and other	6,943	8,747	7,948
Gains on disposition of assets	-	20,789	5,783
Developer contributions and other transfers	-	15,416	1,968
Lonsdale Energy Corp. income (loss)	-	(142)	53
	<u>88,209</u>	<u>131,347</u>	<u>101,252</u>
EXPENSES			
General government	12,584	16,930	14,234
Transportation and transit	2,776	4,587	4,617
Health, social services and housing	2,289	2,274	2,220
Development services	4,334	4,399	3,956
Protective services	21,278	22,295	21,558
Parks, recreation and culture	19,261	23,417	23,004
Water utilities	7,333	8,177	8,378
Sewer utilities	6,203	7,010	7,424
Solid waste	4,348	4,256	3,853
	<u>80,406</u>	<u>93,345</u>	<u>89,244</u>
Total expenses (note 12)	<u>80,406</u>	<u>93,345</u>	<u>89,244</u>
Annual surplus	7,803	38,002	12,008
Accumulated surplus beginning of year	<u>326,222</u>	<u>326,222</u>	<u>314,214</u>
Accumulated surplus end of year	<u>\$ 334,025</u>	<u>\$ 364,224</u>	<u>\$ 326,222</u>

See accompanying notes to the consolidated financial statements

The Corporation of the City of North Vancouver
Consolidated Statement of Change in Net Financial Assets
Year ended December 31, 2013 with comparative figures for 2012
(in thousands of dollars)

	2013 Budget	2013	2012
	(notes 2(g) and 13)		Recast (note 14)
Annual surplus	\$ 7,803	\$ 38,002	\$ 12,008
Acquisition of tangible capital assets	(63,747)	(16,953)	(14,791)
Developer contributions and other transfers	-	(15,416)	(1,968)
Proceeds on sale of tangible capital assets	-	1,117	6,130
Depreciation of tangible capital assets	8,776	10,495	9,320
Gain on disposition of tangible capital assets	-	(20,789)	(5,783)
	<u>(54,971)</u>	<u>(41,546)</u>	<u>(7,092)</u>
Acquisition of inventories	-	(1,262)	(1,104)
Acquisition of prepaid expenses	-	(1,403)	(837)
Use of inventories	-	1,141	1,181
Use of prepaid expenses	-	1,183	1,087
	<u>-</u>	<u>(341)</u>	<u>327</u>
Increase (decrease) in net financial assets	(47,168)	(3,885)	5,243
Net financial assets, beginning of year	<u>117,746</u>	<u>117,746</u>	<u>112,503</u>
Net financial assets, end of year	<u>\$ 70,578</u>	<u>\$ 113,861</u>	<u>\$ 117,746</u>

See accompanying notes to the consolidated financial statements

The Corporation of the City of North Vancouver
Consolidated Statement of Cash Flows
Year ended December 31, 2013 with comparative figures for 2012
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>
		Recast (note 14)
Cash provided by (used for):		
Operating Activities		
Annual surplus	\$ 38,002	\$ 12,008
Items not involving cash:		
Depreciation expense	10,495	9,320
Gain on disposal of tangible capital assets	(20,789)	(5,783)
Developer contributions and other transfers	(15,416)	(1,968)
Lonsdale Energy Corp. income (loss)	142	(53)
Changes in non-cash operating items:		
Decrease (increase) in due from other governments	(440)	17
Decrease (increase) in accounts receivable	6,014	(4,551)
Increase in promissory note receivable	(9,577)	-
Increase in interest receivable	(1,067)	(1,047)
Increase in accounts payable and accrued liabilities	1,141	1,426
Increase in deferred revenue	1,881	4,342
Increase (decrease) in accrued employee future benefits	364	(40)
Decrease in advances and other liabilities	(78)	(812)
Decrease (increase) in inventories	(121)	77
Decrease (increase) in prepaid expenses	(220)	250
	<u>10,331</u>	<u>13,186</u>
Capital Activities		
Cash used to acquire tangible capital assets	(16,953)	(14,791)
Proceeds from sale of tangible capital assets	1,117	6,130
	<u>(15,836)</u>	<u>(8,661)</u>
Investing Activities		
Decrease (increase) in temporary investments	12,295	(9,726)
Decrease (increase) in portfolio investments	(3,894)	1,097
	<u>8,401</u>	<u>(8,629)</u>
Financing Activities		
Issuance of long-term debt	-	2,000
Repayment of long-term debt	(167)	-
	<u>(167)</u>	<u>2,000</u>
Increase (decrease) in cash	2,729	(2,104)
Cash, beginning of year	<u>1,856</u>	<u>3,960</u>
Cash, end of year	<u>\$ 4,585</u>	<u>\$ 1,856</u>

See accompanying notes to the consolidated financial statements

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2013
(tabular amounts in thousands of dollars)

1. OPERATIONS

The City of North Vancouver (the "City") was incorporated in 1907 under the Local Government Act of British Columbia. The City's principal activity is the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water and sanitary services.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City have been prepared in accordance with Canadian public sector accounting standards, as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized below:

(a) Basis of Presentation

The consolidated financial statements include the accounts of all the funds of the City, the accounts of the North Vancouver City Library, which is controlled by the City, the City's 33% proportionate share of the North Vancouver Recreation Commission, and the City's 50% proportionate share of the operations of the North Vancouver Museum and Archives Commission and North Vancouver Office of Cultural Affairs. The City's investment in Lonsdale Energy Corp. ("LEC"), a wholly owned subsidiary considered to be a government business entity, is accounted for using the modified equity method.

The City participates with the District of North Vancouver in the operation and management of the North Vancouver Recreation Commission, and the City includes its proportionate share in the City's consolidated financial statements. The current agreement specifies that the operating costs shall be paid 33% (2012 – 33%) by the City and 67% (2012 – 67%) by the District of North Vancouver. Each municipality is responsible for its own facilities and pays 100% of all capital costs relating to improvement, expansion and replacement of buildings or facility equipment.

The City also participates with the District of North Vancouver in the operation and management of the North Vancouver Museum and Archives Commission, and the City includes its proportionate share in the City's consolidated financial statements. The current agreement specifies that the operating costs shall be paid 50% (2012 – 50%) by the City and 50% (2012 – 50%) by the District of North Vancouver. Each municipality is responsible for its own facilities and pays 100% of all capital costs relating to improvement, expansion and replacement of buildings or facility equipment.

(b) Basis of Accounting

Revenue is recorded on an accrual basis and recognized when earned. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services.

(c) Deferred Revenue

Deferred revenue consists of prepaid property taxes, prepaid business licenses, and fees paid in advance for services yet to be provided.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2013
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

(d) Development Cost Charges

Development cost charges, collected to pay for capital projects due to be developed, are deferred upon receipt and are recognized as revenue when the capital costs for which they were collected are incurred.

(e) Temporary Investments

Temporary investments include bank issued notes and bonds, and provincial bonds and debentures, which mature in the subsequent year and are valued at the lower of cost or market value.

(f) Portfolio Investments

Portfolio investments include bank issued notes and bonds, and provincial bonds and debentures, which mature after the subsequent year. Securities are recorded at their cost and written down to reflect losses in value that are other than temporary.

(g) Budget Figures

The audited budget figures are based on the ten year financial plan adopted on April 8, 2013.

(h) Government Transfers

Unrestricted government transfers are recognized as revenue in the year that the transfer is authorized by the issuing government and any eligibility criteria have been met. Restricted government transfers, in the way of grants or other transfers, are recognized as revenue in the year in which the stipulations are met.

(i) Employee Future Benefits

The City and its employees make contributions to the Municipal Pension Plan. The City's contributions are expensed as incurred.

Sick leave and post-employment benefits also accrue to the City's employees. The liabilities related to these benefits are actuarially determined based on services and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefits plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(j) Long-term Debt

Long-term debt is recorded in the consolidated financial statements net of repayments and actuarial adjustments.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2013
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

(k) 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 business.

(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 cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Land	Not depreciated	
Land improvements	Straight line over useful life of each asset unit	10 – 20 years
Parks	Straight line over useful life of each asset unit	10 – 50 years
Buildings	Straight line over useful life of each asset unit	10 – 100 years
Machinery & equipment	Straight line over useful life of each asset unit	10 – 12 years
Vehicles	Straight line over useful life of each asset unit	6 – 25 years
Infrastructure	Straight line over useful life of each asset unit	7 – 100 years
Library materials	Straight line over useful life of each asset unit	2 – 5 years
Work in progress	Not depreciated until put into use	

(ii) Contributions of Tangible Capital Assets

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

(iii) Works of Art and Historic Assets

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

(iv) Natural Resources

Horticultural assets such as treed areas, grassy areas and gardens are not recognized as assets in the consolidated financial statements.

(v) Interest Capitalization

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

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2013
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

(k) Non-Financial Assets (cont'd)

(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 payments are charged to expenses as incurred.

(vii) Inventories

Inventories held for consumption are recorded at the lower of weighted average cost and replacement cost.

(viii) Prepaid Expenses

Prepaid expenses are recorded as assets in these consolidated financial statements.

(l) Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the disclosure of contingent liabilities. Areas requiring significant estimation are post-employment benefits, compensated absences and termination benefits and estimated useful life of tangible capital assets. Actual results could differ from these estimates.

(m) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information.

3. INVESTMENTS

(a) Temporary Investments

The fair value of temporary investments at December 31, 2013 was \$28,867,000 (2012 - \$41,589,000). These investments range in maturity date from January 9, 2014 to December 22, 2014, and range in yield from 1.7% to 5.04%.

(b) Portfolio Investments

The fair value of portfolio investments at December 31, 2013 was \$132,425,000 (2012 - \$130,734,000). These investments range in maturity from April 2, 2015 to December 1, 2025, and range in yield from 2.00% to 7.52%.

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2013
(tabular amounts in thousands of dollars)

4. INVESTMENT IN LONSDALE ENERGY CORP.

The City owns all the issued and outstanding shares of LEC, which was incorporated under the British Columbia Company Act on July 7, 2003. LEC operates a district energy system providing hydronic energy to residential and commercial buildings in the Lonsdale and Marine Drive – Harbourside areas of the City of North Vancouver.

Summarized financial information relating to LEC is as follows:

	2013	2012
Current assets	\$ 2,724	\$ 3,297
Non-current assets	17,642	14,296
Total assets	<u>20,366</u>	<u>17,593</u>
Current liabilities	2,501	7,675
Long-term liabilities	16,176	8,087
Total liabilities	<u>18,677</u>	<u>15,762</u>
Shareholder's equity	<u>\$ 1,689</u>	<u>\$ 1,831</u>
Total revenue	\$ 2,281	\$ 1,893
Total expenses	2,423	1,840
Net income	<u>\$ (142)</u>	<u>\$ 53</u>

Included in the City's Consolidated Statement of Financial Position is "Investment in Lonsdale Energy Corp." in the amount of \$1,689,000 (2012 - \$1,831,000) and a loan receivable of \$9,577,000 (2012 – nil). Also, included in Accounts Receivable in the City's Consolidated Statement of Financial Position is a receivable from LEC in the amount of \$114,000 (2012 - \$6,664,000).

5. LOAN TO LONSDALE ENERGY CORP.

On December 16, 2013, the City converted amounts due from Lonsdale Energy Corp. to a 5-year loan bearing 2.1% interest. Additional funding may be made available to Lonsdale Energy Corporation under the term of the agreement to a maximum of \$12,000,000. The balance owing at December 31, 2013 is \$9,577,000 (2012 – nil). Interest revenue of approximately \$8,800 (2012 - \$nil) has been included in the Consolidated Statement of Operations.

6. LONG-TERM DEBT

The City has financed the expansion of LEC by assuming debt through the Municipal Finance Authority in accordance with the Community Charter. Debt principal is reported net of repayments and actuarial adjustments. The City carries no debt for others. The total debt issued and outstanding as at December 31, 2013 was \$1,833,418 (2012 - \$2,000,000).

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2013
(tabular amounts in thousands of dollars)

6. LONG-TERM DEBT (con't)

Future principal re-payments and actuarial adjustments on net outstanding debt over the next five years and thereafter are as follows:

2014	\$ 173,245
2015	\$ 180,175
2016	\$ 187,382
2017	\$ 194,877
2018	\$ 202,672
Thereafter	\$ 895,066
	<u>\$ 1,833,418</u>

Interest expense of \$6,000 (2012 - \$3,000) has been included in the Consolidated Statement of Operations. The interest rate on long-term debt is 0.3% per annum.

7. EMPLOYEE FUTURE BENEFITS

(a) Sick and Severance

Employees of the City are entitled to payments related to unused sick leave and severance upon retirement or resignation after ten years of service. The amount recorded for these benefits is based on an actuarial valuation done by an independent firm of actuaries using a projected benefit actuarial valuation method pro-rated on services. The most recent actuarial valuation of the City's future benefits was completed as at December 31, 2012.

Information regarding the City's obligations for these benefits is as follows:

	<u>2013</u>	<u>2012</u>
Benefit obligation - beginning of the year	6,962	6,241
Add: Current service costs	470	482
Interest on accrued benefit obligation	236	221
Less: Amortization of actuarial gain	(971)	782
Benefits paid (expected - not charged to liability)	(101)	(73)
Benefits paid during the year	(336)	(691)
Benefit obligation - end of the year	<u>6,260</u>	<u>6,962</u>
Unamortized actuarial loss (gain)	<u>71</u>	<u>(995)</u>
Accrued benefit liability - end of the year	<u>6,331</u>	<u>5,967</u>

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2013
(tabular amounts in thousands of dollars)**

7. EMPLOYEE FUTURE BENEFITS (con't)

The significant actuarial assumptions adopted in measuring the City's accrued benefit liability are as follows:

	2013	2012
Discount rates	4.00%	3.40%
Expected future inflation rates	3.00%	3.00%
Expected wage and salary increases (net of inflation)	.08 % to 2.0%	.08 % to 2.0%

The unamortized actuarial loss is amortized over a period equal to the employees' average remaining service lifetime of eleven years for the City.

(b) Council Retirement Stipend

Starting 2005, Council Members are entitled to a retirement stipend based on 9.3% of the individual's total indemnity received subsequent to 2002 or his or her current term of office. These amounts are accrued as earned.

8. TANGIBLE CAPITAL ASSETS

	Land	Land Improvements	Parks	Buildings	Machinery & Equipment	Vehicles	Infrastructure	Library Materials	Work in Progress	Total
2013										
Costs										
Balance beginning of year	\$ 13,094	\$ 12,300	\$ 19,224	\$ 91,642	\$ 15,796	\$ 7,770	\$ 166,490	\$ 2,084	\$ 5,215	\$ 333,615
Additions	8,605	955	15,167	18,427	2,603	453	3,650	168	7,939	57,967
Disposals	12	-	-	1,896	2,258	376	614	1,283	5,215	11,654
Balance end of year	<u>\$ 21,687</u>	<u>\$ 13,255</u>	<u>\$ 34,391</u>	<u>\$ 108,173</u>	<u>\$ 16,141</u>	<u>\$ 7,847</u>	<u>\$ 169,526</u>	<u>\$ 969</u>	<u>\$ 7,939</u>	<u>\$ 379,928</u>
Accumulated Depreciation										
Balance beginning of year	\$ -	\$ 4,775	\$ 7,516	\$ 32,731	\$ 8,798	\$ 4,587	\$ 66,460	\$ 1,434	\$ -	\$ 126,301
Depreciation	-	782	930	3,654	1,914	502	2,325	388	-	10,495
Disposals	-	-	-	1,397	2,258	320	418	1,335	-	5,728
Balance end of year	<u>\$ -</u>	<u>\$ 5,557</u>	<u>\$ 8,446</u>	<u>\$ 34,988</u>	<u>\$ 8,454</u>	<u>\$ 4,769</u>	<u>\$ 68,367</u>	<u>\$ 487</u>	<u>\$ -</u>	<u>\$ 131,068</u>
Net Book Value	<u>\$ 21,687</u>	<u>\$ 7,698</u>	<u>\$ 25,945</u>	<u>\$ 73,185</u>	<u>\$ 7,687</u>	<u>\$ 3,078</u>	<u>\$ 101,159</u>	<u>\$ 482</u>	<u>\$ 7,939</u>	<u>\$ 248,860</u>
2012 Recast (note 14)										
Costs										
Balance beginning of year	\$ 11,452	\$ 11,195	\$ 18,696	\$ 77,222	\$ 15,714	\$ 7,672	\$ 162,563	\$ 2,113	\$ 12,965	\$ 319,592
Additions	1,644	1,105	528	14,921	1,376	303	4,418	214	5,215	29,724
Disposals	2	-	-	501	1,294	205	491	243	12,965	15,701
Balance end of year	<u>\$ 13,094</u>	<u>\$ 12,300</u>	<u>\$ 19,224</u>	<u>\$ 91,642</u>	<u>\$ 15,796</u>	<u>\$ 7,770</u>	<u>\$ 166,490</u>	<u>\$ 2,084</u>	<u>\$ 5,215</u>	<u>\$ 333,615</u>
Accumulated Depreciation										
Balance beginning of year	\$ -	\$ 4,062	\$ 6,746	\$ 30,353	\$ 8,498	\$ 4,226	\$ 64,258	\$ 1,227	\$ -	\$ 119,370
Depreciation	-	713	770	2,879	1,594	521	2,393	450	-	9,320
Disposals	-	-	-	501	1,294	160	191	243	-	2,389
Balance end of year	<u>\$ -</u>	<u>\$ 4,775</u>	<u>\$ 7,516</u>	<u>\$ 32,731</u>	<u>\$ 8,798</u>	<u>\$ 4,587</u>	<u>\$ 66,460</u>	<u>\$ 1,434</u>	<u>\$ -</u>	<u>\$ 126,301</u>
Net Book Value	<u>\$ 13,094</u>	<u>\$ 7,525</u>	<u>\$ 11,708</u>	<u>\$ 58,911</u>	<u>\$ 6,998</u>	<u>\$ 3,183</u>	<u>\$ 100,030</u>	<u>\$ 650</u>	<u>\$ 5,215</u>	<u>\$ 207,314</u>

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2013
(tabular amounts in thousands of dollars)**

8. TANGIBLE CAPITAL ASSETS (con't)

(a) Work in Progress

Work in progress having a value of \$7,939,000 (2012 - \$5,215,000) has not been amortized. Amortization of these assets will commence when the asset is in service.

(b) Developer Contributed Tangible Capital Assets and Other Transfers

Developer contributed tangible capital assets and other transfers have been recognized at their fair value at the date of contribution. Developer contributed tangible capital assets and other transfers of \$15,416,000 (2012 - \$1,968,000) have been recognized during the year.

(c) Works of Art and Historic Assets

The City manages and controls various works of art and non-operational historic assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded in the consolidated financial statements of the City.

(d) Write-Down of Tangible Capital Assets

There were no write-downs of tangible capital assets during the current or prior year.

9. ACCUMULATED SURPLUS

	2013	2012
	Recast (note 14)	
Current funds - general, water and sewer	\$ 20,861	\$ 20,374
Reserve fund	87,334	88,952
Capital fund	256,029	216,896
Accumulated surplus, end of year	<u>\$ 364,224</u>	<u>\$ 326,222</u>

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2013
(tabular amounts in thousands of dollars)

9. ACCUMULATED SURPLUS (con't)

The following reserve amounts are set aside for specific purposes:

(a) Reserve Funds

	Balance December 31, 2012	Contributions & Transfers	Earnings	Less Expenditures	Balance December 31, 2013
Machinery and equipment					
Engineering equipment	\$ 3,499	\$ 276	\$ 214	\$ 845	\$ 3,144
Fire	316	190	13	377	142
General	126	301	24	146	305
Computer	145	638	6	622	167
Building reserve	2,686	912	102	1,212	2,488
Local Improvements	1,131	12	44	39	1,148
Affordable housing	2,407	280	102	26	2,763
Tax sale lands	43,334	2	1,754	4,927	40,163
Waterworks	6,823	-	263	600	6,486
Parking reserve	579	-	29	59	549
Civic amenity	15,262	400	1,716	371	17,007
Justice administration accomodation	328	-	13	-	341
Streets DCC	156	41	7	-	204
Parks DCC	3	611	-	611	3
Lower Lonsdale amenity	7,420	5	287	586	7,126
Lower Lonsdale legacy	2,607	-	103	90	2,620
Infrastructure reserve	888	905	45	453	1,385
Public art	335	85	11	186	245
Marine Drive Community Amenity	420	-	14	139	295
Sustainable Transportation	362	88	15	46	419
Carbon fund	125	133	43	(33)	334
Total	\$ 88,952	\$ 4,879	\$ 4,805	\$ 11,302	\$ 87,334

(b) Appropriated and Unappropriated

	2013	2012
	Recast (note 14)	
Appropriated:		
General funds	\$ 8,871	\$ 8,791
Water fund	207	157
Sewer fund	6,789	6,541
Capital fund	7,169	9,582
Invested in tangible capital assets	248,860	207,314
Unappropriated:		
General funds	4,085	3,911
Water fund	52	119
Sewer fund	857	855
Total	\$ 276,890	\$ 237,270

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2013
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10. COMMITMENTS AND CONTINGENCIES

(a) Property Taxes

The City is obliged to levy, collect and remit the property taxes on behalf of, and to finance the arrears of property taxes of, other bodies as follows:

Collections for and remittances to other governments	2013	2012
Provincial Government - Schools	\$ 31,763	\$ 30,078
Greater Vancouver Regional District	1,070	929
Greater Vancouver Transportation Authority	7,254	6,942
British Columbia Assessment Authority	1,152	1,082
Municipal Finance Authority	4	3
	<u>\$ 41,243</u>	<u>\$ 39,034</u>

The above amounts are excluded from the Property Value Tax in the Financial Statements

(b) Pension Liability

The City 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 179,000 active members and approximately 71,000 retired members. Active members include approximately 569 contributors from the City of North Vancouver.

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 of 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 of 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 paid \$3,157,000 (2012 - \$3,286,000) for employer contributions to the Plan in fiscal 2013.

(c) Contingent Liabilities

The City is currently engaged in or party to certain legal actions, assessment appeals and other existing conditions involving uncertainty which may result in material loss. A reasonable estimate of these future liabilities has been made where possible and is recorded in the financial statements as a liability. Where the outcomes of amounts or losses are uncertain, no amounts have been recorded.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
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(tabular amounts in thousands of dollars)**

10. COMMITMENTS AND CONTINGENCIES (con't)

(d) E-Comm

The City is a member of E-Comm, an organization comprised predominately of member municipalities, for the purpose of providing emergency dispatch services. The City is represented on the board and as a class "A" shareholder has voting rights should the organization want to incur additional debt.

The E-Comm facility was constructed using debt as a financing mechanism and members are liable for a proportionate share of that debt. This debt is repaid by members through annual fees charged by E-Comm. Should E-Comm dissolve, the members would be liable for a proportionate share of any residual debt. Alternatively, should members choose to opt out of E-Comm they would be liable for a proportionate share of debt at the time of withdrawal.

The City holds 2 class "A" shares and one class "B" share.

(e) Contractual Obligations

During 2013 the City, in conjunction with the District of North Vancouver and the District of West Vancouver, extended the contract for recyclables collection for a period of 1 year commencing July 1, 2014. The City's portion of the annual contract costs is expected to be approximately \$1,400,000 for the years 2014 to 2015.

(f) Royal Canadian Mounted Police

The City has a contract with the federal government whereby the federal government provides Royal Canadian Mounted Police ("RCMP") policing services. RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members.

As the final outcome of the legal action and the potential financial impact to the City is not determinable, the City has not recorded any provision for this matter in the consolidated financial statements as at December 31, 2013.

11. TRUST FUNDS

Certain assets have been conveyed or assigned to the City to be administered as directed by an agreement or statute. The City holds the assets for the benefit of, and stands in a fiduciary relationship, to the beneficiary. The Cemetery Trust Fund, totaling \$2,060,000 (2012 - \$1,876,000), which is administered by the City, has not been included with the City's accounts.

12. SEGMENTED INFORMATION

The City is a diversified municipal government entity in the Province of British Columbia that provides a wide range of services to its citizens. Certain functional areas have been combined and separately disclosed in the segmented information. The segments and the services they provide are as follows:

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
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(tabular amounts in thousands of dollars)**

12. SEGMENTED INFORMATION (con't)

General Government

General Government provides the administrative and legislative services which support the various sectors of the City. Functions include financial planning and reporting, economic development and legislative services.

Transportation and Transit

The Transportation department aims to provide enhanced access to public transit, safe pedestrian and cyclist routes, enable accessible transportation for people with limited mobility and maintain existing infrastructure. These goals are achieved through street design, traffic signals and signs, street lighting and road maintenance activities.

Health, Social Services and Housing

Health, Social Services and Housing encompasses a wide variety of City funded initiatives aimed at supporting the social structure and sustainability of the community. Included are cemetery operations, youth and family support services, seniors programs and homeless prevention initiatives.

Development Services

Development Services' focus is community planning which includes land use guidelines, the management of City owned lands, heritage planning and development of the City's official community plan.

Protective Services

Protective Services is comprised of the North Vancouver RCMP detachment, the North Vancouver City Fire Department and bylaw enforcement. The North Vancouver RCMP detachment plays an integral role in the protection of North Vancouver residents and their property through crime prevention and detection, emergency response and victim services. The North Vancouver City Fire Department is responsible to provide fire suppression service, fire prevention services and fire safety education.

Parks, Recreation and Culture

Parks, Recreation and Culture provides access to recreation facilities, the operation and maintenance of the City's many parks and trails, the North Vancouver City Library and the City's participation in the North Vancouver Museum and Archives and the North Vancouver Office of Cultural Affairs.

Water Utilities

The Water Utility, in conjunction with Metro Vancouver, provides safe, clean, reliable water to the residents and businesses of the City of North Vancouver.

Sewer Utilities

The Sewer Utility collects waste water and transports it to trunk water mains and wastewater treatment plants operated by Metro Vancouver. In addition to the collection of wastewater, the Sewer Utility also manages the City's 150km storm sewerage system which diverts rainfall runoff from private property with an emphasis on flood prevention.

Solid Waste

The Solid Waste department provides curbside garbage, recycling and yard trimmings collection to the residents of the City of North Vancouver.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2013
(tabular amounts in thousands of dollars)**

12. SEGMENTED INFORMATION (con't)

	Revenues	Expenses						Annual Surplus (Deficit)
		Wages & Benefits	Goods & Supplies	Services	Depreciation	Capitalized	Total	
General government	\$ 80,116	\$ 11,202	\$ 5,772	\$ 3,387	\$ 2,857	\$ (6,288)	\$ 16,930	\$ 63,186
Transportation and transit	1,701	2,527	475	4,888	1,135	(4,438)	4,587	(2,886)
Health, social services and housing	392	395	83	1,796	-	-	2,274	(1,882)
Development services	4,516	3,707	27	665	-	-	4,399	117
Protective services	1,568	15,170	1,379	5,409	1,116	(779)	22,295	(20,727)
Parks, recreation and culture	22,280	12,137	972	8,507	4,036	(2,235)	23,417	(1,137)
Water utilities	8,505	1,810	6,222	1,239	683	(1,777)	8,177	328
Sewer utilities	7,902	1,173	168	6,217	598	(1,146)	7,010	892
Solid Waste	4,367	1,259	44	2,883	70	-	4,256	111
2013	<u>\$ 131,347</u>	<u>\$ 49,380</u>	<u>\$ 15,142</u>	<u>\$ 34,991</u>	<u>\$ 10,495</u>	<u>\$ (16,663)</u>	<u>\$ 93,345</u>	<u>\$ 38,002</u>
2012 Recast (note 14)	<u>\$ 101,252</u>	<u>\$ 47,230</u>	<u>\$ 14,810</u>	<u>\$ 34,188</u>	<u>\$ 9,320</u>	<u>\$ (16,304)</u>	<u>\$ 89,244</u>	<u>\$ 12,008</u>

13. BUDGET FIGURES

The audited budget figures presented in these consolidated financial statements are based upon the financial plan approved by Council as the Financial Plan for the Years 2013 to 2022 Bylaw, 2013, No. 8297 April 8, 2013. The table below reconciles the approved budget to the budget figures reported.

	Financial Plan Bylaw
Revenue per Statement of Operations	\$ 88,209
Add:	
Transfer from other funds	1,498
Less:	
Interagency recoveries	(7,250)
Revenue per financial plan bylaw	<u>82,457</u>
Expenses per Statement of Operations	80,406
Add:	
Depreciation	8,776
Transfer to other funds	9,688
Less:	
Interagency payments	(7,250)
Expenses per financial plan bylaw	<u>91,620</u>
Deficit for the year	(9,163)
Reserves and capital:	
Capital expenditures	(63,747)
Depreciation	8,776
Transfers from reserves	46,149
External contributions	17,985
Annual budgeted Surplus per financial plan bylaw	<u>\$ -</u>

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
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(tabular amounts in thousands of dollars)

14. PRIOR PERIOD RECAST

During 2013, the City revised its valuations for its streets assets included in the infrastructure category of tangible capital assets. As a result the following amounts have been recast to reflect these immaterial adjustments:

	<u>As at January 1, 2012</u>	
	<u>Accumulated Surplus</u>	
As previously reported	\$	302,573
Adjustment to tangible capital asset cost at January 1, 2012		24,723
Adjustment to accumulated depreciation at January 1, 2012		(13,082)
As recast	<u>\$</u>	<u>314,214</u>

	<u>As at December 31, 2012</u>			
	<u>Accumulated Surplus</u>		<u>Tangible Capital Assets</u>	
As previously reported	\$	315,180	\$	196,272
Adjustment to tangible capital asset cost at January 1, 2012		24,723		24,723
Adjustment to accumulated depreciation at January 1, 2012		(13,082)		(13,082)
Adjustment to depreciation expense		(599)		(599)
As recast	<u>\$</u>	<u>326,222</u>	<u>\$</u>	<u>207,314</u>

	<u>Year ended December 31, 2012</u>			
	<u>Depreciation Expense</u>		<u>Annual Surplus</u>	
As previously reported	\$	8,721	\$	12,607
Adjustment to depreciation expense		599		(599)
As recast	<u>\$</u>	<u>9,320</u>	<u>\$</u>	<u>12,008</u>