

**The Corporation of the City of
North Vancouver
Consolidated Financial Statements
For the year ended December 31, 2015**



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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, 2015 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, 2015, 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 Professional Accountants

May 2, 2016

Burnaby, Canada

The Corporation of the City of North Vancouver
Consolidated Statement of Financial Position
As at December 31, 2015 with comparative figures for 2014
(in thousands of dollars)

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash	\$ 5,849	\$ 6,067
Temporary investments (note 4(a))	42,630	43,568
Portfolio investments (note 4(b))	113,161	107,149
Investment in Lonsdale Energy Corp. (note 5)	715	1,702
Due from other governments	4,117	3,845
Accounts receivable	9,082	10,224
Loan to Lonsdale Energy Corp. (note 6)	13,651	10,664
Interest receivable	10,386	9,711
	<u>199,591</u>	<u>192,930</u>
LIABILITIES		
Accounts payable and accrued liabilities	14,406	13,007
Deferred revenue	26,186	24,287
Deferred development cost charges	23,741	20,725
Long-term debt (note 7)	1,480	1,660
Employee future benefits (note 8)	8,165	6,997
Advances and other liabilities	7,881	8,097
	<u>81,859</u>	<u>74,773</u>
	<u>117,732</u>	<u>118,157</u>
NET FINANCIAL ASSETS		
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	326,164	254,056
Inventories	507	565
Prepaid expenses	1,497	1,882
	<u>328,168</u>	<u>256,503</u>
ACCUMULATED SURPLUS (note 10)	<u>\$ 445,900</u>	<u>\$ 374,660</u>

Commitments and contingencies (note 11)
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, 2015 with comparative figures for 2014
(in thousands of dollars)**

	2015 Budget	2015	2014
	(notes 2(g) and 14)		
REVENUE			
Property value tax	\$ 51,186	\$ 51,114	\$ 48,727
Parcel taxes	2,437	2,459	2,398
Licences and permits	3,378	4,863	3,638
Fines and fees	3,924	5,020	4,575
Rent	1,249	1,266	1,342
Interest and penalties	2,188	5,523	5,796
Sale of services	24,153	24,139	23,993
Rebate and recoveries	81	404	93
Grants and other	6,400	7,589	8,732
Developer contributions and other transfers	250	4,874	10,694
(Losses) gains on disposition of assets	-	63,089	(1,864)
Lonsdale Energy Corp. (loss) income	-	(987)	13
	<u>95,246</u>	<u>169,353</u>	<u>108,137</u>
EXPENSES			
General government	15,540	17,113	17,516
Transportation and transit	4,155	5,876	6,219
Health, social services and housing	2,376	2,336	2,353
Development services	4,468	4,626	4,578
Protective services	24,144	23,412	22,584
Parks, recreation and culture	24,302	24,626	24,396
Water utilities	8,912	8,206	7,984
Sewer utilities	7,400	7,791	8,031
Solid waste	4,305	4,127	4,040
	<u>95,602</u>	<u>98,113</u>	<u>97,701</u>
Total expenses (note 13)	<u>95,602</u>	<u>98,113</u>	<u>97,701</u>
Annual surplus (deficit)	(356)	71,240	10,436
Accumulated surplus beginning of year	<u>374,660</u>	<u>374,660</u>	<u>364,224</u>
Accumulated surplus end of year	<u>\$ 374,304</u>	<u>\$ 445,900</u>	<u>\$ 374,660</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, 2015 with comparative figures for 2014
(in thousands of dollars)**

	2015 Budget	2015	2014
	(notes 2(g) and 14)		
Annual surplus (deficit)	\$ (356)	\$ 71,240	\$ 10,436
Acquisition of tangible capital assets	(76,807)	(20,840)	(17,322)
Non-cash developer contributed assets and found assets	-	(347)	(1,021)
Proceeds on sale of tangible capital assets	-	84	13
Depreciation of tangible capital assets	11,300	12,084	11,270
Loss (gain) on disposition of tangible capital assets	(65,507)	(63,089)	1,864
	<u>(65,507)</u>	<u>(72,108)</u>	<u>(5,196)</u>
Acquisition of inventories	-	(848)	(1,201)
Acquisition of prepaid expenses	-	(1,350)	(1,823)
Use of inventories	-	910	1,046
Use of prepaid expenses	-	1,731	1,034
	<u>-</u>	<u>444</u>	<u>(944)</u>
Increase (decrease) in net financial assets	(65,863)	(425)	4,296
Net financial assets, beginning of year	<u>118,157</u>	<u>118,157</u>	<u>113,861</u>
Net financial assets, end of year	<u>\$ 52,294</u>	<u>\$ 117,732</u>	<u>\$ 118,157</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, 2015 with comparative figures for 2014
(in thousands of dollars)

	2015	2014
Cash provided by (used for):		
Operating Activities		
Annual surplus	\$ 71,240	\$ 10,436
Items not involving cash:		
Depreciation expense	12,084	11,270
Loss (gain) on disposal of tangible capital assets	(63,089)	1,864
Non-cash developer contributed assets and found assets	(347)	(1,021)
Lonsdale Energy Corp. (income) loss	987	(13)
Changes in non-cash operating items:		
Increase in due from other governments	(272)	(120)
Decrease (increase) in accounts receivable	1,142	(528)
Increase in promissory note receivable	(2,987)	(1,191)
Increase in interest receivable	(675)	(1,734)
Increase (decrease) in accounts payable and accrued liabilities	1,399	(1,807)
Increase in deferred revenue	1,899	3,261
Increase in deferred development cost charges	3,016	124
Increase in accrued employee future benefits	1,168	285
Decrease in advances and other liabilities	(216)	(303)
Increase in inventories	58	(155)
Increase in prepaid expenses	385	(789)
	<u>25,792</u>	<u>19,579</u>
Capital Activities		
Cash used to acquire tangible capital assets	(20,840)	(17,322)
Proceeds from sale of tangible capital assets	84	13
	<u>(20,756)</u>	<u>(17,309)</u>
Investing Activities		
Decrease (increase) in temporary investments	938	(14,901)
Decrease (increase) in portfolio investments	(6,012)	14,286
	<u>(5,074)</u>	<u>(615)</u>
Financing Activities		
Repayment of long-term debt	(180)	(173)
	<u>(180)</u>	<u>(173)</u>
Increase in cash	(218)	1,482
Cash, beginning of year	<u>6,067</u>	<u>4,585</u>
Cash, end of year	<u>\$ 5,849</u>	<u>\$ 6,067</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, 2015
(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 Chartered Professional Accountants Canada. 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 operations of the North Vancouver Recreation Commission, and the City's 50% proportionate share of the operations of the North Vancouver Museum and Archives Commission. The City's investment in Lonsdale Energy Corporation ("LEC"), a wholly owned government business enterprise, 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% (2014 – 33%) by the City and 67% (2014 – 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% (2014 – 50%) by the City and 50% (2014 – 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, 2015
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

(d) Development Cost Charges

Development cost charges collected to pay for future capital projects are deferred upon receipt and 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 maturing 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 maturing after the subsequent year end. 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 27, 2015.

(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. As this plan is a multi-employer plan, 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, 2015
(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 may 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, is amortized on a straight line basis over their estimated useful lives as follows:

Land improvements	Straight line over useful life of each asset unit	10 – 100 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 estimated 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, 2015
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

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

(vi) Leased Tangible Capital Assets

Leases that 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 the consolidated financial statements.

(l) Estimates

The preparation of the 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.

(n) Contaminated Sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- i) An environmental standard exists;
- ii) Contamination exceeds the environmental standard;
- iii) The City is directly responsible or accepts responsibility;
- iv) It is expected that future economic benefits will be given up; and
- v) A reasonable estimate of the amount can be made

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2015
(tabular amounts in thousands of dollars)

3. ADOPTION OF NEW ACCOUNTING POLICY

Effective January 1, 2015, the City adopted Public Sector Accounting Handbook Standard PS 3260, Liability for Contaminated Sites. This standard was applied on a retroactive basis to January 1, 2014 and did not result in any adjustments to liabilities, tangible capital assets or accumulated surplus of the City.

4. INVESTMENTS

(a) Temporary Investments

The fair value of temporary investments at December 31, 2015 was \$43,559,045 (2014 - \$45,042,845). These investments range in maturity date from January 8, 2016 to December 12, 2016, and range in yield from 1.25% to 6.27%.

(b) Portfolio Investments

The fair value of portfolio investments at December 31, 2015 was \$126,705,811 (2014 - \$119,750,380). These investments range in maturity from January 18, 2017 to December 1, 2025, and range in yield from 1.74% to 7.52%.

5. INVESTMENT IN LONSDALE ENERGY CORPORATION ("LEC")

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, institutional 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:

	2015	2014
Current assets	\$ 953	\$ 1,989
Non-current assets	20,849	19,531
Total assets	<u>\$ 21,802</u>	<u>\$ 21,520</u>
Current liabilities	\$ 1,308	\$ 2,485
Long-term liabilities	19,779	17,333
	<u>\$ 21,087</u>	<u>\$ 19,818</u>
Shareholder's equity	<u>\$ 715</u>	<u>\$ 1,702</u>
Total revenue	\$ 2,907	\$ 2,854
Total expense	2,863	2,841
Income before other income (expenses)	44	13
Other income (expenses)	(1,031)	-
Net income (loss)	<u>\$ (987)</u>	<u>\$ 13</u>

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2015
(tabular amounts in thousands of dollars)**

5. INVESTMENT IN LONSDALE ENERGY CORPORATION (“LEC”) (con’t)

Included in the City's consolidated statement of financial position is “Investment in Lonsdale Energy Corp.” in the amount of \$715,000 (2014 - \$1,702,000) and a loan receivable, see note 6. Also, included in accounts receivable in the City's consolidated statement of financial position is a receivable from LEC in the amount of \$268,000 (2014 - \$161,000).

In 2015, LEC recognized a one-time expense related to an agreement (the “Agreement”) between LEC and Corix Utilities Inc. (“Corix”) that expired on December 31, 2013. Under the terms of the Agreement, Corix provided, installed and maintained the boilers, central control system and energy meters that form part of LEC's hydronic heat distribution system in the Lower Lonsdale Service Area. LEC recorded a non-recurring expense of \$1,031,000 made up of interest, loss on disposal of obsolete asset and legal charges related to the Agreement. All requirements by both LEC and Corix in respect of the Agreement are now concluded and no further costs related to the Agreement will be incurred by LEC subsequent to December 31, 2015.

6. LOAN TO LONSDALE ENERGY CORPORATION (“LEC”)

The loan receivable balance of \$13,651,000 (2014 - \$10,664,000) consists of the following interest bearing promissory notes:

On December 16, 2013, the City converted amounts due from LEC to a 5-year demand term loan bearing interest at 2.1%. Additional funding may be made available to LEC under the terms of the agreement to a maximum of \$12,000,000. The balance owing at December 31, 2015 is \$11,039,000 (2014 - \$10,664,000).

On July 8, 2015, the City issued a promissory note to LEC in the amount of \$2,000,000 (2014 – nil). On November 25, 2015, the City issued a promissory note to LEC in the amount of \$612,000 (2014 – nil). Both loans are due on demand and bear interest at 2.1%. Interest revenue of \$247,300 (2014 - \$208,900) has been included in the consolidated statement of operations.

At the maturity date of the loan to LEC the City may, at its discretion, extend the terms of the loan in whole or in part or LEC may repay the loan in whole or in part using either internal or external financing.

7. LONG-TERM DEBT

The City has financed the expansion of LEC by assuming debt on behalf of LEC 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, 2015 was \$1,479,998 (2014 - \$1,660,173).

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

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2015
(tabular amounts in thousands of dollars)

7. LONG-TERM DEBT (con't)

2016	\$	187,382
2017		194,877
2018		202,672
2019		210,779
2020		219,210
Thereafter		465,078
	\$	<u>1,479,998</u>

Interest expense of \$6,000 (2014 - \$6,000) has been included in the Consolidated Statement of Operations. The interest rate on long-term debt is 0.3% per annum.

8. 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, 2015.

Information regarding the City's obligations for these benefits, including its proportionate share of the North Vancouver City Library, North Vancouver Recreation Commission, and North Vancouver Museum and Archives Commission, is as follows:

	<u>2015</u>	<u>2014</u>
Benefit obligation - beginning of the year	7,011	6,260
Add: Current service costs	517	453
Interest on accrued benefit obligation	215	256
Transfer of liabilities	77	381
Less: Amortization of actuarial loss	519	86
Benefits paid (expected - not charged to liability)	(72)	(75)
Benefits paid during the year	<u>(400)</u>	<u>(350)</u>
Benefit obligation - end of the year	7,867	7,011
Unamortized actuarial gain (loss)	<u>298</u>	<u>(14)</u>
Accrued benefit liability - end of the year	<u>8,165</u>	<u>6,997</u>

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2015
(tabular amounts in thousands of dollars)

8. EMPLOYEE FUTURE BENEFITS (con't)

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

	2015	2014
Discount rates	3.10%	3.10%
Expected future inflation rates	2.50%	3.00%
Expected wage and salary increases	2.58% to 4.63%	.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 9.9% of the individual's total indemnity received subsequent to 2002. These amounts are accrued as earned.

9. TANGIBLE CAPITAL ASSETS

	Land	Land Improvements	Parks	Buildings	Machinery & Equipment	Vehicles	Infrastructure	Library Materials	Work in Progress	Total
2015										
Costs										
Balance beginning of year	\$ 22,608	\$ 15,516	\$ 34,151	\$ 110,552	\$ 16,548	\$ 8,981	\$ 173,350	\$ 973	\$ 11,488	\$ 394,167
Additions	4,950	34,393	4,366	525	840	653	26,709	209	23,805	96,450
Disposals	28	-	263	95	630	610	3,286	233	11,488	16,633
Balance end of year	<u>\$ 27,530</u>	<u>\$ 49,909</u>	<u>\$ 38,254</u>	<u>\$ 110,982</u>	<u>\$ 16,758</u>	<u>\$ 9,024</u>	<u>\$ 196,773</u>	<u>\$ 949</u>	<u>\$ 23,805</u>	<u>\$ 473,984</u>
Accumulated Depreciation										
Balance beginning of year	\$ -	\$ 6,446	\$ 9,107	\$ 39,173	\$ 9,486	\$ 5,117	\$ 70,290	\$ 492	\$ -	\$ 140,111
Depreciation	-	1,117	1,214	4,282	1,600	529	3,118	224	-	12,084
Disposals	-	-	163	24	630	520	2,805	233	-	4,375
Balance end of year	<u>\$ -</u>	<u>\$ 7,563</u>	<u>\$ 10,158</u>	<u>\$ 43,431</u>	<u>\$ 10,456</u>	<u>\$ 5,126</u>	<u>\$ 70,603</u>	<u>\$ 483</u>	<u>\$ -</u>	<u>\$ 147,820</u>
Net Book Value	<u>\$ 27,530</u>	<u>\$ 42,346</u>	<u>\$ 28,096</u>	<u>\$ 67,551</u>	<u>\$ 6,302</u>	<u>\$ 3,898</u>	<u>\$ 126,170</u>	<u>\$ 466</u>	<u>\$ 23,805</u>	<u>\$ 326,164</u>
2014										
Costs										
Balance beginning of year	\$ 21,687	\$ 13,255	\$ 34,391	\$ 108,173	\$ 16,141	\$ 7,847	\$ 169,526	\$ 969	\$ 7,939	\$ 379,928
Additions	921	2,261	1,149	2,508	1,138	1,276	5,315	224	11,488	26,280
Disposals	-	-	1,389	129	731	142	1,491	220	7,939	12,041
Balance end of year	<u>\$ 22,608</u>	<u>\$ 15,516</u>	<u>\$ 34,151</u>	<u>\$ 110,552</u>	<u>\$ 16,548</u>	<u>\$ 8,981</u>	<u>\$ 173,350</u>	<u>\$ 973</u>	<u>\$ 11,488</u>	<u>\$ 394,167</u>
Accumulated Depreciation										
Balance beginning of year	\$ -	\$ 5,557	\$ 8,446	\$ 34,988	\$ 8,454	\$ 4,769	\$ 68,367	\$ 487	\$ -	\$ 131,068
Depreciation	-	889	1,155	4,214	1,763	469	2,555	225	-	11,270
Disposals	-	-	494	29	731	121	632	220	-	2,227
Balance end of year	<u>\$ -</u>	<u>\$ 6,446</u>	<u>\$ 9,107</u>	<u>\$ 39,173</u>	<u>\$ 9,486</u>	<u>\$ 5,117</u>	<u>\$ 70,290</u>	<u>\$ 492</u>	<u>\$ -</u>	<u>\$ 140,111</u>
Net Book Value	<u>\$ 22,608</u>	<u>\$ 9,070</u>	<u>\$ 25,044</u>	<u>\$ 71,379</u>	<u>\$ 7,062</u>	<u>\$ 3,864</u>	<u>\$ 103,060</u>	<u>\$ 481</u>	<u>\$ 11,488</u>	<u>\$ 254,056</u>

(a) Work in Progress

Work in progress having a value of \$23,805,000 (2014 - \$11,488,000) has not been amortized. Amortization of these assets will commence when the asset is in service.

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Notes to Consolidated Financial Statements
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(tabular amounts in thousands of dollars)**

9. TANGIBLE CAPITAL ASSETS (con't)

(b) Developer Contributed Tangible Capital Assets and Other Transfers

Developer contributed tangible capital assets and other transfers have been recognized at their estimated fair value at the date of contribution. Developer contributed tangible capital assets and other transfers of \$1,816,800 (2014 - \$513,000) 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.

10. ACCUMULATED SURPLUS

	2015 Actual	2014 Actual
Current Funds - general, water and sewer	\$ 24,917	\$ 22,226
Reserve fund	86,067	92,205
Capital fund	334,916	260,229
Accumulated surplus, end of year	<u>\$ 445,900</u>	<u>\$ 374,660</u>

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10. ACCUMULATED SURPLUS (con't)

The following reserve amounts are set aside for specific purposes:

(a) Reserve Funds

	Balance December 31, 2014	Contributions & Transfers	Earnings	Less Expenditures	Balance December 31, 2015
Machinery and Equipment					
Engineering	\$ 3,147	\$ 396	\$ 158	\$ 306	\$ 3,395
Fire	573	-	55	371	257
General	460	-	16	144	332
Computer	620	1,076	37	172	1,561
Building	2,337	147	78	306	2,256
Local Improvements	1,192	5	36	486	747
Affordable Housing	2,847	-	96	106	2,837
Tax Sale Lands	37,431	-	1,265	7,893	30,803
Waterworks	6,632	-	220	475	6,377
Parking	550	-	23	105	468
Civic Amenity	24,570	3,500	940	1,099	27,911
Justice Administration Accomodation	325	-	11	25	311
Streets DCC	249	45	9	-	303
Parks DCC	30	216	31	216	61
Lower Lonsdale Amenity	5,509	12	163	1,563	4,121
Lower Lonsdale Legacy	2,600	-	88	95	2,593
Infrastructure	1,661	-	224	1,544	341
Public Art	371	-	12	58	325
Marine Drive Community Amenity	305	-	11	-	316
Sustainable Transportation	453	87	14	196	358
Carbon Fund	343	80	13	42	394
Total	\$ 92,205	\$ 5,564	\$ 3,500	\$ 15,202	\$ 86,067

(b) Appropriated and Unappropriated

	2015	2014
Current Funds - general, water and sewer		
Appropriated:		
General funds	\$ 9,710	\$ 9,456
Water fund	103	207
Sewer fund	8,598	7,710
Unappropriated:		
General funds	5,692	4,042
Sewer fund	814	811
	<u>\$ 24,917</u>	<u>\$ 22,226</u>
Capital fund		
Invested in tangible capital assets	\$ 326,164	\$ 254,056
Appropriated Capital funds	8,752	6,173
	<u>\$ 334,916</u>	<u>\$ 260,229</u>

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11. COMMITMENTS AND CONTINGENCIES

(a) Property Taxes

The City is obliged to levy, collect and remit 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	2015	2014
Provincial Government - Schools	\$ 32,374	\$ 32,016
Greater Vancouver Regional District	1,068	1,016
Greater Vancouver Transportation Authority	7,389	7,427
British Columbia Assessment Authority	1,197	1,183
Municipal Finance Authority	4	4
	<u>\$ 42,032</u>	<u>\$ 41,646</u>

(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 administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2015, the plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 521 contributors from the City of North Vancouver.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets 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 \$3,490,000 (2014 - \$3,392,000) for employer contributions to the Plan in fiscal 2015.

(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

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
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(c) Contingent Liabilities (con't)

and is recorded in the financial statements as a liability. Where the outcomes of amounts or losses are uncertain, no amounts have been recorded.

(d) E-Comm

The City is a member of Emergency Communications for British Columbia, Incorporated ("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 2014 the City, in conjunction with the District of North Vancouver and the District of West Vancouver, entered into a new contract for recyclables collection for a period of five years commencing July 1, 2015. The City's portion of the annual contract costs is expected to be approximately \$1,100,000 for the years 2015 to 2020. The City is also eligible to receive an incentive from Multi-Materials BC (MMBC) of approximately \$55,000 per month (\$660,000 annually).

12. 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 \$2,435,000 (2014 - \$2,218,000), which is administered by the City, has not been included with the City's accounts.

13. 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:

General Government

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

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13. SEGMENTED INFORMATION (con't)

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.

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13. SEGMENTED INFORMATION (con't)

	Revenues	Expenses					Total	Annual Surplus(Deficit)
		Wages & Benefits	Goods & Supplies	Services	Depreciation	Capitalized		
General government	\$ 66,430	\$ 11,120	\$ 3,473	\$ 1,968	\$ 3,366	\$ (2,814)	17,113	\$ 49,317
Transportation and transit	20,221	2,702	839	11,515	1,804	(10,984)	5,876	14,345
Health, social services and housing	442	401	54	1,886	-	(5)	2,336	(1,894)
Development services	6,271	3,872	33	721	-	-	4,626	1,645
Protective services	1,880	16,441	1,006	5,265	1,151	(451)	23,412	(21,532)
Parks, recreation and culture	44,214	12,993	965	8,422	4,256	(2,010)	24,626	19,588
Water utilities	12,665	2,003	6,184	1,321	827	(2,129)	8,206	4,459
Sewer utilities	12,254	1,459	169	6,444	609	(890)	7,791	4,463
Solid waste	4,976	1,365	54	2,637	71	-	4,127	849
2015	<u>\$ 169,353</u>	<u>\$ 52,356</u>	<u>\$ 12,777</u>	<u>\$ 40,179</u>	<u>\$ 12,084</u>	<u>\$ (19,283)</u>	<u>\$ 98,113</u>	<u>\$ 71,240</u>
2014	<u>\$ 108,137</u>	<u>\$ 50,675</u>	<u>\$ 13,333</u>	<u>\$ 39,522</u>	<u>\$ 11,270</u>	<u>\$ (17,099)</u>	<u>\$ 97,701</u>	<u>\$ 10,436</u>

The Corporation of the City of North Vancouver
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14. 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 2015 to 2024 Bylaw, 2015, No. 8413 April 27, 2015. The table below reconciles the approved budget to the budget figures reported.

	<u>Financial Plan Bylaw</u>
Revenue per Statement of Operations	\$ 95,246
Less:	
Transfers from Reserve	(949)
Interagency funds	<u>(4,375)</u>
	<u>(5,324)</u>
Revenue per financial plan bylaw	<u>89,922</u>
Expenses per Statement of Operations	95,602
Add:	
Transfer to other funds	8,185
Less:	
Budget adjustments for consolidation	(1,911)
Interagency payments	<u>(4,375)</u>
	<u>(6,286)</u>
Expenses per financial plan bylaw	<u>97,501</u>
Deficit for the year	(7,579)
Reserves and capital:	
Capital expenditures	(75,063)
Depreciation	11,300
Transfers from reserves	41,868
External contributions	<u>29,474</u>
Annual budgeted Surplus per financial plan bylaw	<u>\$ -</u>