

VILLAGE OF CHASE

i



2012

STATEMENT OF FINANCIAL INFORMATION

VILLAGE OF CHASE
STATEMENT OF FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2012

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Financial Statements of

THE VILLAGE OF CHASE

Year ended December 31, 2012

THE VILLAGE OF CHASE

Financial Statements

Year ended December 31, 2012

Financial Statements

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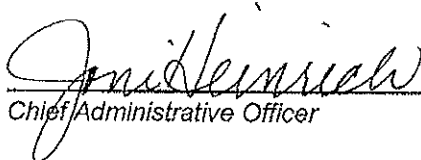
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Village of Chase (the "Village") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. The significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

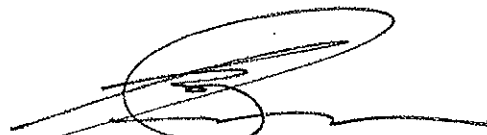
The Village's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the approval of the financial statements by Council.

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



Chief Administrative Officer



Director of Finance



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Village of Chase

We have audited the accompanying financial statements of the Village of Chase (the "Village"), which comprise the statement of financial position as at December 31, 2012, and the 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 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 an 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 our 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, we consider internal controls relevant to the Village'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 Village's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Village of Chase as at December 31, 2012, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

Kamloops, Canada
June 25, 2013

THE VILLAGE OF CHASE

Statement of Financial Position

December 31, 2012, with comparative information for 2011

| | 2012 | 2011 |
|---|----------------------|----------------------|
| Financial assets: | | |
| Cash and short-term investments (note 2) | \$ 4,091,506 | \$ 3,442,414 |
| Accounts receivable: | | |
| Taxes receivable | 227,868 | 293,152 |
| Other | 349,449 | 224,043 |
| | <u>4,668,823</u> | <u>3,959,609</u> |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 376,853 | 382,855 |
| Accrued payroll expenses | 138,038 | 67,122 |
| Deferred revenue (note 3) | 1,112,739 | 668,691 |
| Term debt (note 4) | 2,053,166 | 1,468,474 |
| Obligations under capital leases (note 6) | 425,752 | 534,748 |
| | <u>4,104,548</u> | <u>3,121,890</u> |
| Net financial assets | 664,275 | 837,719 |
| Non-financial assets: | | |
| Tangible capital assets (note 7) | 27,455,187 | 22,562,606 |
| Prepaid expenses | 66,437 | 41,561 |
| | <u>27,521,624</u> | <u>22,604,167</u> |
| Accumulated surplus (note 8) | \$ 28,085,899 | \$ 23,441,886 |

Commitments and contingencies (note 13)

The accompanying notes are an integral part of these financial statements



Director of Financial Services

THE VILLAGE OF CHASE

Notes to Financial Statements

Year ended December 31, 2012

The Village of Chase (the "Village") was incorporated on April 21, 1969 under statute of the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia.

The Village provides municipal services to residents of the incorporated area. These include fire protection, transportation and roads maintenance, solid waste collection and disposal, parks and recreation and maintenance of green spaces, water utility, sewer utility and other general government services.

1. Significant accounting policies:

The financial statements of the Village are prepared by management in accordance with Canadian generally accepted accounting principles for governments as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant accounting policies adopted by the Village are as follows:

(a) Reporting entity:

(i) Funds of the Village

The financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all funds of the Village, segregated into general, water utility and sewer utility funds.

The Village has not identified any external entities that are owned or whose boards are controlled by the Village and that are accountable to the Village for the administration of their financial affairs and resources; however it is the policy of the Village that any such entities would also form part of the reporting entity.

Inter-departmental and interfund transactions and balances between these funds have been eliminated in the financial statements.

(ii) Accounting for other government organizations and School Board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the regional district, hospital district, or other levels of government with which the Village interacts are not reflected in these financial statements. Funds collected by the Village on behalf of these other entities and transmitted to them are summarized in note 9. Funds received by the Village as transfers or grants from other government entities are summarized in note 10.

(iii) Trust funds

Trust funds and their related operations administered by the Village are not included in these financial statements.

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Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(b) Basis of accounting:

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

(c) Revenue recognition:

Property taxes, parcel taxes, frontage taxes, special assessments and grants in lieu of taxes are recognized as revenue in the year in which they are assessable. Water and sewer user rates, connection fees, sale of services, interest and penalties are recognized as revenue when the related service is provided, and when the amount to be received can be reasonably estimated and collection is reasonably assured.

Government transfers received or receivable are recognized in the financial statements as revenue in the period that the event giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

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

(d) Deferred revenue:

Deferred revenue represents grants, development cost charges ("DCCs"), licenses and other fees which have been collected, but for which the related expenses or services have yet to be performed or incurred. These amounts will be recognized as revenues in the fiscal year the services are performed or expenses incurred.

(e) Cash and short-term investments:

Cash and short-term investments include cash and highly liquid investments with a term to maturity of 90 days or less at acquisition and that are readily convertible to cash.

(f) Reserves:

Reserves for operating and capital purposes represent amounts within accumulated surplus reserved either internally or by statute for specific future purposes.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(g) Term debt:

Term debt acquired through the Municipal Finance Authority ("MFA") is recorded net of the related sinking fund balances. Earnings on sinking fund investments are allocated to the Village as an actuarial adjustment, which is recorded as a revenue and reduction in the related debt.

(h) Employee future benefits:

(i) The Village provides certain employee benefits which will require funding in future periods. These benefits include sick leave and banked overtime provided to all its unionized employees. The costs of sick leave and banked overtime arising from past service and expected to be paid out in a future period have been accrued as a liability and have been determined using management's best estimate of salary and utilization rates. Non-vesting sick leave benefit entitlements in excess of these amounts are accrued, using management's best estimate of the rate at which they will be utilized.

(ii) The costs of multi-employer defined contribution pension plan benefits, such as the Provincial Municipal Pension Plan (the "Plan"), are the employer's contributions due to the plan in the period.

(i) Non-financial assets:

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

(i) Tangible capital assets

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

| Asset | Useful life - years |
|-------------------------------------|---------------------|
| Parks and land improvements | 15-70 |
| Buildings and building improvements | 30-75 |
| Vehicles, machinery and equipment | 3-25 |
| Roads, bridges and highways | 10-80 |
| Water and sewer infrastructure | 10-80 |

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

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

(iii) Natural resources

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

(iv) Works of art and cultural and historic assets

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

(v) Interest capitalization

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

(vi) Leased tangible capital assets

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

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions based on current conditions and laws that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include assumptions used in estimating provisions for the estimated useful lives of tangible capital assets and in performing actuarial valuations of employee future benefits.

Management reviews these estimates on a periodic basis and, where necessary, makes adjustments prospectively.

2. Cash and short-term investments:

Cash and short-term investments reported on the statement of financial position have costs that approximates market value. Short-term investments consist of investments primarily in MFA pooled money market funds with an annual rate of return of approximately 1.1% (2011 - 1.0%).

Restrictions around use of cash and cash equivalents are as follows:

| | 2012 | 2011 |
|--------------------------|--------------|--------------|
| Restricted: | | |
| Reserves | \$ 775,143 | \$ 685,380 |
| Development cost charges | 403,995 | 399,757 |
| MFA debt reserve fund | 15,208 | 15,208 |
| | 1,194,346 | 1,100,345 |
| Unrestricted | 2,897,160 | 2,342,069 |
| Total | \$ 4,091,506 | \$ 3,442,414 |

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2012

3. Deferred revenue:

Deferred revenue, reported on the statement of financial position, is made up of the following:

| | 2012 | 2011 |
|-------------------------|--------------|------------|
| DCCs | \$ 403,995 | \$ 399,757 |
| Gas tax funding | 328,288 | 254,234 |
| Wharf rebuild grant | 365,600 | - |
| Parks acquisition grant | 14,856 | 14,700 |
| Total deferred revenue | \$ 1,112,739 | \$ 668,691 |

Continuity of deferred revenue is as follows:

| | 2012 | 2011 |
|-----------------------------|--------------|------------|
| Balance, beginning of year: | | |
| DCCs | \$ 399,757 | \$ 486,211 |
| Gas tax funding | 254,234 | 177,037 |
| Parks acquisition grant | 14,700 | 14,550 |
| | 668,691 | 677,798 |
| Contributions: | | |
| Gas tax funding | 147,111 | 147,111 |
| Wharf rebuild grant | 365,600 | - |
| Interest earned | 7,507 | 6,899 |
| | 520,218 | 154,010 |
| Revenues recognized | (76,170) | (163,117) |
| Balance, end of year | \$ 1,112,739 | \$ 668,691 |

Gas tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Village and the Union of British Columbia Municipalities. Gas tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

Development cost charges ("DCCs") are amounts received from developers to be used by the Village for specific infrastructure upgrades, improvements and projects. The above amounts have been deferred and are to be recognized as revenue in the year the related project expenditures are incurred.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2012

4. Term debt:

The Village issues debt instruments through the MFA of British Columbia, pursuant to term capital borrowing, loan authorization and security issuing bylaws under authority of Sections 178, 179 and 181 of the Community Charter, to finance certain capital expenditures.

During the year, the Village assumed liability and payments for term debt relating to the contribution of a tangible capital asset (note 7(b)).

| | 2012 | 2011 |
|--|---------------------|---------------------|
| MFA debt instrument with a maturity date of April, 2035, bearing interest at a rate of 4.50% per annum | \$ 975,988 | \$ 1,000,000 |
| MFA debt instrument with a maturity date of October 2036, bearing interest at a rate of 3.25% per annum | 456,949 | 468,474 |
| Royal Bank of Canada term debt with a maturity date of January 2014, repayable at \$9,620 per month including interest at 3.73%, secured by a General Security Agreement | 620,229 | - |
| Term debt, end of year | \$ 2,053,166 | \$ 1,468,474 |

Total interest on term debt reported in the statement of operations amounted to \$62,467 (2011 - \$33,675).

The term debt issued in the name of the Village has been approved by bylaw. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

The total principal payments for the next five years are as follows:

| | |
|------|------------|
| 2013 | \$ 129,436 |
| 2014 | 561,870 |
| 2015 | 35,538 |
| 2016 | 35,538 |
| 2017 | 35,538 |

Scheduled debt repayments may be suspended due to excess sinking fund earnings with MFA.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2012

5. MFA debt reserve:

As a condition of the MFA borrowings made by the Village, and as required by legislation, a debt reserve fund is maintained in the amount of one-half the average annual instalment of principal and interest as set out in the agreements entered into. The reserve is funded in part by cash, being the withholding of 1% of the total issue proceeds, and the remainder being funded by a demand note whereby the Village may be required to loan certain amounts to the MFA. Details of the cash deposits and demand notes on hand at year end are as follows:

| | 2012 | 2011 |
|---------------------------------------|---------------|---------------|
| Cash deposits | \$ 15,208 | \$ 15,208 |
| Demand note | 30,019 | 30,019 |
| Debt reserve fund balance, net | 45,227 | 45,227 |

6. Obligations under capital leases:

To finance the acquisition of certain tangible capital assets, the Village has entered into various capital lease agreements with maturity dates between 2013 and 2017. The required minimum lease payments and net obligation under capital lease is as follows:

| | 2012 | 2011 |
|---|-------------------|-------------------|
| 2012 | \$ - | \$ 164,896 |
| 2013 | 174,274 | 164,896 |
| 2014 | 168,627 | 159,054 |
| 2015 | 72,069 | 60,837 |
| 2016 | 15,821 | 3,606 |
| 2017 | 6,666 | - |
| Total minimum lease payments | 437,457 | 553,289 |
| Less: Amount representing interest (at rates ranging from 1.25% to 2.00%) | 11,705 | 18,541 |
| Present value of net minimum capital lease payments | \$ 425,752 | \$ 534,748 |

Interest of \$9,414 (2011 - \$16,616) relating to obligations under capital leases has been included in expenses on the statement of operations.

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2012

7. Tangible capital assets:

| 2012 | Land | Parks and land improvements | Buildings and building improvements | Vehicles, machinery and equipment | Roads, bridges and highways | Water infrastructure | Sewer infrastructure | Assets under construction | Total |
|---|--------------|-----------------------------|-------------------------------------|-----------------------------------|-----------------------------|----------------------|----------------------|---------------------------|---------------|
| Cost: | | | | | | | | | |
| Balance, beginning of year | \$ 6,477,932 | \$ 2,389,166 | \$ 1,950,885 | \$ 2,074,700 | \$ 7,234,661 | \$ 4,244,363 | \$ 5,922,290 | \$ 429,262 | \$ 30,714,259 |
| Additions | - | 5,033,718 | - | 86,459 | - | - | 1,691 | 578,876 | 5,700,644 |
| Transfer of construction costs for completed projects | - | - | - | - | - | - | - | (96,769) | (96,769) |
| Balance, end of year | 6,477,932 | 7,422,884 | 1,950,885 | 2,161,159 | 7,234,661 | 4,244,363 | 5,923,881 | 902,369 | 36,318,134 |
| Accumulated amortization: | | | | | | | | | |
| Balance, beginning of year | - | 621,332 | 470,683 | 927,262 | 2,646,512 | 1,441,144 | 2,044,720 | - | 8,151,653 |
| Amortization expense | - | 154,272 | 36,774 | 136,441 | 128,748 | 104,914 | 150,145 | - | 711,294 |
| Balance, end of year | - | 775,604 | 507,457 | 1,063,703 | 2,775,260 | 1,546,058 | 2,194,865 | - | 8,862,947 |
| Net book value, end of year | \$ 6,477,932 | \$ 6,647,280 | \$ 1,443,428 | \$ 1,097,456 | \$ 4,459,401 | \$ 2,698,305 | \$ 3,729,016 | \$ 902,369 | \$ 27,455,187 |

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THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2012

7. Tangible capital assets (continued):

| 2011 | Land | Parks and land improvements | Buildings and building improvements | Vehicles, machinery and equipment | Roads, bridges and highways | Water infrastructure | Sewer infrastructure | Assets under construction | Total |
|---|---------------------|-----------------------------|-------------------------------------|-----------------------------------|-----------------------------|----------------------|----------------------|---------------------------|----------------------|
| Cost: | | | | | | | | | |
| Balance, beginning of year | \$ 6,477,932 | \$ 2,303,857 | \$ 1,723,650 | \$ 1,969,769 | \$ 7,004,475 | \$ 4,139,990 | \$ 5,876,127 | \$ 279,489 | \$ 29,775,289 |
| Additions | - | 85,309 | 227,235 | 104,931 | 244,830 | 104,373 | 48,163 | 245,882 | 1,058,723 |
| Disposals | - | - | - | - | (14,644) | - | - | - | (14,644) |
| Transfer of construction costs for completed projects | - | - | - | - | - | - | - | - | - |
| Balance, end of year | 6,477,932 | 2,389,166 | 1,950,885 | 2,074,700 | 7,234,661 | 4,244,363 | 5,922,290 | (105,109) | 30,714,259 |
| Accumulated amortization: | | | | | | | | | |
| Balance, beginning of year | - | 536,995 | 436,392 | 796,471 | 2,528,064 | 1,336,777 | 1,894,576 | - | 7,529,275 |
| Disposals | - | - | - | - | (14,644) | - | - | - | (14,644) |
| Amortization expense | - | 84,337 | 34,291 | 130,791 | 133,092 | 104,367 | 150,144 | - | 637,022 |
| Balance, end of year | - | 621,332 | 470,683 | 927,262 | 2,646,512 | 1,441,144 | 2,044,720 | - | 8,151,653 |
| Net book value, end of year | \$ 6,477,932 | \$ 1,767,834 | \$ 1,480,202 | \$ 1,147,438 | \$ 4,588,149 | \$ 2,803,219 | \$ 3,877,570 | \$ 420,262 | \$ 22,562,606 |

THE VILLAGE OF CHASE

Notes to Financial Statements (continued)

Year ended December 31, 2012

7. Tangible capital assets (continued):

a) Assets under construction

Assets under construction have not been amortized. Amortization of these assets will commence when the asset is put into service. Where projects have been completed during the year, accumulated costs are reclassified to the appropriate category of asset and included in related additions in the current year.

b) Contributed tangible capital assets

During the year, the Village received an arena as a contributed capital asset recorded in parks and land improvements. Fair value of the arena at the date of contribution was \$5,025,000, offset by the fair value of the term debt assumed by the Village of \$651,567 (note 4) and fees of \$5,000 resulting in a net contribution of \$4,368,433. No contributed assets were received during 2011.

c) Write-down of tangible capital assets

No write-down in value of tangible capital assets was considered necessary during the year (2011 - no write down).