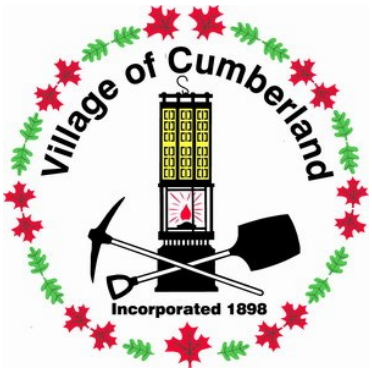

THE CORPORATION OF THE VILLAGE OF CUMBERLAND

FINANCIAL STATEMENTS

DECEMBER 31, 2015

THE CORPORATION OF THE
VILLAGE OF CUMBERLAND

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For the year ended DECEMBER 31, 2015

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Corporation of the
Village of Cumberland

2673 Dunsmuir Avenue
P.O. Box 340
Cumberland, BC V0R 1S0
Telephone: 250-336-2291
Fax: 250-336-2321
cumberland.ca

Management's Responsibility for Financial Reporting

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and are outlined under "Significant Accounting Policies" in the notes to the financial statements. Management is responsible for the integrity and objectivity of these statements and schedules.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. Management also maintains a program of proper business compliance.

Council is responsible for reviewing and approving the financial statements and for ensuring that management fulfils its responsibilities for financial reporting and internal control.

BDO Canada LLP, Chartered Accountants, the village's independent auditors, have conducted an examination of the financial statements in accordance with Canadian generally accepted auditing standards and have expressed their opinion in a report accompanying this statement.

Michelle Mason, CPA, CGA
Financial Officer,
pursuant to Section 149 of the Community Charter
April 25, 2016

Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Independent Auditor's Report

To the Mayor and Council of the Corporation of the Village of Cumberland

We have audited the accompanying financial statements of the Corporation of the Village of Cumberland, which comprise the Statement of Financial Position as at December 31, 2015, and the Statements of Operations and Accumulated Surplus, Change in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 Corporation of the Village of Cumberland as at December 31, 2015, and its results of operations, changes in net financial assets and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 25, 2016

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

STATEMENT A

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Statement of Financial Position
As at December 31, 2015

	2015	2014
Financial Assets		
Cash and cash equivalents	$ 7,840,862	$ 7,246,391
Property taxes receivable	162,628	256,251
Accounts receivable (Note 2)	1,106,930	712,010
	9,110,420	8,214,652
Liabilities		
Accounts payable and accrued liabilities (Note 3)	591,960	724,738
Trust and other deposits (Note 4)	290,640	212,116
Deferred revenue (Note 6)	2,393,915	1,671,543
Debenture and long term-debt (Note 8, Schedule 2)	3,380,210	3,019,663
	6,656,725	5,628,060
Net Financial Assets	2,453,695	2,586,592
Non-financial Assets		
Tangible capital assets (Schedule 1)	40,098,732	36,995,870
Inventories	109,875	110,491
Prepaid expenses	7,868	8,707
	40,216,475	37,115,068
Accumulated Surplus (Note 16)	**$ 42,670,170**	**$ 39,701,660**

Contingent liabilities (Note 7)

See accompanying notes to the financial statements

Approved by:

Leslie Baird
Mayor

Michelle Mason
Corporate Financial Officer

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2015

	2015 Budget	2015 Actual	2014 Actual
	(Note 13)		
Revenues			
Taxes	$ 2,143,165	$ 2,143,216	$ 2,051,054
Grants in lieu of taxes	48,360	48,362	48,499
Frontage taxes	177,770	177,777	177,525
Sale of services	1,130,730	1,164,969	1,134,995
Transfers from other governments	4,951,830	2,308,811	1,358,607
Services to other governments	346,080	356,622	302,897
Other revenue	923,345	648,200	720,610
Development cost charges	712,670	2,864	262,411
Contributed assets	-	1,021,853	804,528
	10,433,950	7,872,674	6,861,126
Expenses			
General government services	729,395	640,279	601,753
Transportation services	1,111,745	997,032	1,284,775
Protective services	552,520	505,473	462,990
Environmental health services	1,633,330	1,527,691	1,478,157
Public health services	91,000	52,977	61,050
Environmental planning and development services	388,415	289,750	236,015
Recreation and cultural services	986,250	890,962	755,351
	5,492,655	4,904,164	4,880,091
Annual Surplus	**4,941,295**	**2,968,510**	**1,981,035**
Accumulated Surplus, Beginning Of Year	39,701,660	39,701,660	37,720,625
Accumulated Surplus, End Of Year	**$ 44,642,955**	**$ 42,670,170**	**$ 39,701,660**

Please see accompanying notes to the financial statements.

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2015

	2015 Budget	2015 Actual	2014 Actual
	(Note 13)		
Annual Surplus	$ 4,941,295	$ 2,968,510	$ 1,981,035
Amortization of tangible capital assets	967,785	914,219	880,962
Change in supplies inventories	-	616	(19,408)
Change in prepaid expense	-	839	(2,743)
Proceeds on disposal of tangible capital assets	-	7,500	13,000
Loss on disposal of tangible capital assets	-	73,821	422,456
Acquisition of tangible capital assets	(8,542,075)	(4,098,402)	(2,232,333)
Change In Net Financial Assets/(Debt)	(2,632,995)	(132,897)	1,042,969
Net Financial Assets, Beginning Of Year	2,586,592	2,586,592	1,543,623
Net Financial Assets/(Debt), End Of Year	**$ (46,403)**	**$ 2,453,695**	**$ 2,586,592**

Please see accompanying notes to the financial statements.

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Statement of Cash Flows
For the Year Ended December 31, 2015

	2015	2014
Cash Flows From Operating Transactions		
Annual surplus	$ 2,968,510	$ 1,981,035
Non-cash items		
Amortization	914,219	880,962
Contributed assets	(1,021,852)	(804,528)
Long-term debt actuarial reduction	(18,438)	(14,638)
Loss on disposal of tangible capital assets	73,821	422,456
Change in prepaid expense	839	(2,743)
Change in inventories	616	(19,408)
Change in deferred revenue	722,372	(786,024)
Change in working capital		
Change in property taxes receivable	93,623	(1,330)
Change in accounts receivable	(394,920)	(11,043)
Change in accounts payable	(132,778)	134,774
Change in trust and other deposits	78,524	52,242
Cash provided from (applied to) operating transactions	3,284,536	1,831,755
Cash Flow From Capital Transactions		
Purchase of tangible capital assets	(3,076,549)	(1,427,805)
Proceeds on disposal of tangible capital assets	7,500	13,000
Cash provided from (applied to) capital transactions	(3,069,049)	(1,414,805)
Cash Flow From Financing Transactions		
New debt issued	590,585	564,665
Long-term debt repaid	(211,601)	(181,331)
Cash provided from (applied to) financing transactions	378,984	383,334
Increase in Cash and Cash Equivalents	594,471	800,284
Cash and Cash Equivalents, Beginning Of Year	7,246,391	6,446,107
Cash and Cash Equivalents, End Of Year	**$ 7,840,862**	**$ 7,246,391**
Interest Included In Operating Transactions		
Interest received in the year	$ 157,952	$ 182,197
Interest paid in the year	$ (119,677)	$ (122,996)

Please see accompanying notes to the consolidated financial statements.

The Corporation of the Village of Cumberland
Notes to Financial Statements
Year Ended DECEMBER 31, 2015

The Corporation of the Village of Cumberland (the "Municipality") was incorporated in 1898 under the provisions of the *British Columbia Municipal Act and is subject to the provisions of the Community Charter and related legislation*. Its principal activities are the provision of local government services to the residents of the Municipality.

1. SIGNIFICANT ACCOUNTING POLICIES

a) It is the Municipality's policy to follow Canadian public sector accounting standards.

b) In accordance with the recommendations of the Public Sector Accounting Board of the Chartered Professional Accountants Canada, the Municipality reports a consolidation of all funds. The financial statements reflect the removal of internal transactions and balances.

c) Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, trusts and other deposits, debenture and long-term debt. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments.

d) Tangible capital assets and other non-financial assets are accounted for as non-financial assets by the Municipality because they can be used to provide municipal services in future periods. These assets do not normally provide resources to discharge liabilities unless they are sold.

e) Cash and cash equivalents include short-term deposits held with the Municipal Finance Authority in the Money Market Fund and the First Credit Union and are carried at cost, which approximates market value.

f) Inventories are valued at the lower of cost and replacement value.

g) Tax revenues are recognized in the year that they are levied. Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Restricted grants are recognized when the related expenses are incurred and when collection is reasonably assured. Sewer and water fees are recognized when the commodity has been received by the customer. Other sales of services and other revenue from own sources are recognized when the service is provided or the amount is earned and when the amount can be estimated and collection is reasonably assured. Restricted revenues from collections of development cost charges are deferred and then recognized as revenue in the year that an expense, authorized by bylaw, is incurred.

h) The Municipality is statutorily obligated to collect and transmit the tax levies of the following bodies:

i. Provincial Government – Schools;
ii. Provincial Government – Police;
iii. Comox Valley Regional District;
iv. Regional Hospital District of Comox Strathcona;
v. British Columbia Assessment Authority;
vi. Municipal Finance Authority; and
vii. Vancouver Island Regional Library.

Such levies are not included in the revenues of the Municipality.

i) Expenses are recorded in the period in which the goods or services are acquired and a liability is incurred.

j) The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting period. Significant areas requiring the use of estimates include the ability to collect property taxes receivable and accounts receivable, obsolete or damaged inventory, amortization of tangible capital assets and post employment benefits. Actual results may vary from the estimates and adjustments, if any, will be reported and reflected in operations as they become known.

k) The Municipality recognizes the expenses relating to employee benefits in the period in which the employees render the services in return for the benefits, including compensated employee absences that accumulate but do not vest. Absences due to employee illness are paid when an injury or illness occurs, but entitlement to such compensation arises as employees render service. Entitlement to compensated absence due to illness or injury is measured as the expected future utilization of this benefit.

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

Buildings	25-40
Equipment and vehicles	5-15
Water and waste water plant and networks	
Underground networks	60-100
Plants and lift stations	50-100
Pumping stations and reservoirs	100
Other infrastructure	50-100
Transportation	
Road surfaces	15-25
Road base structure	75
Poles and luminaries	100
Parks and other	
Land improvements	10-40
Playing fields and trails	15-20
Parking lots	10-20

Contributions of tangible capital assets are recorded as an asset at their fair value at the date of receipt and as revenue.

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases and the associated asset is recorded at the lower of the present value of future minimum lease payments or fair value.

m) The Municipality capitalizes interest on interim financing for capital construction projects. In 2015 $Nil was capitalized (2014 - $Nil).

n) Liability For Contaminated Sites – Adoption Of New Accounting Standard

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

i. an environmental standard exists;
ii. contamination exceeds the environmental standard;
iii. the Village is directly responsible or accepts responsibility; and
iv. is directly responsible; or
v. accepts responsibility; and
vi. a reasonable estimate of the amount can be made.

This new accounting standard (PS 3260) has applied with no restatement of prior periods effective January 1, 2015. As a result of the adoption of this standard, an investigation took place during 2015 regarding all sites that have the Village of Cumberland on title. There were no contaminated sites identified on sites that are no longer in use and there were no unexpected events identified for these sites during the year. The adoption of this accounting standard had no impact on the annual operating surplus for the year ended December 31, 2015.

2. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2015	2014
Due from federal government	$ 218,052	$ 120,465
Due from provincial government	1,603	3,355
Due from other government	112,997	66,270
Other receivables	774,278	521,920
	$ 1,106,930	$ 712,010

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Account payable is comprised of the following:

	2015	2014
Due from federal government	$ 5,439	$ 962
Due to provincial government	9,584	7,878
Due to other government	22,686	22,859
Salaries, wages and benefits payable	336,835	283,386
Other payables	217,416	409,653
	$ 591,960	$ 724,738

4. TRUST AND OTHER DEPOSITS

Trust and other deposits are securities and deposits held by the Municipality to ensure performance of requirements under contract or for approval of development or subdivision applications, or to safeguard against damages to facilities and infrastructure. The balance includes deposits collected for building, plumbing and development permits, subdivision and landscaping performance bonds, lien holdbacks and park and facility rentals.

5. BANK INDEBTEDNESS

The Village has an available unsecured line of credit of $750,000 from the First Line Credit Union bearing interest at prime. No balance was drawn on the line of credit as at December 31, 2015 (2014 – $Nil).

6. DEFERRED REVENUE

	Balance 31-Dec-14	Collections	Adjustments	Recognized As Revenue	Interest Income	Balance 31-Dec-15
Deferred Revenue – DCC						
Storm Drainage	$ 107,421	12,759	20,843	-	1,260	$ 142,283
Sanitary Sewer	590,950	134,498	206,165	(2,865)	11,317	940,065
Waterworks	66,891	24,124	-	-	1,335	92,350
Roads	336,671	39,257	51,285	-	5,877	433,090
Parks	118,820	31,589	52,011	-	2,487	204,907
	1,220,753	242,227	330,304	(2,865)	22,276	1,812,695
Other Deferred	450,790	197,223	-	(73,589)	6,796	581,220
	$1,671,543	439,450	330,304	(76,454)	29,072	$2,393,915

Adjustments for Development Cost Charge (DCC) deferred revenue are accounts receivable due from the developer of a subdivision that was approved in 2014 and 2015. This is permitted by the Local Government Act B.C. Regulations 255/2011, July 1, 2012 which allows a developer to elect to pay DCC charges by installments over a period of three years.

7. CONTINGENT LIABILITIES

a) The Municipality's loan agreements with the Comox Valley Regional District and the Municipal Finance Authority provide that if at any time the scheduled payments required are not sufficient to meet obligations in regards to borrowings, the resulting deficiency becomes a joint and several liability of the Municipality and the other member Municipalities.

b) The Municipality is involved with a number of legal actions, the outcomes of which cannot be determined at this time. Management has determined that any potential liabilities arising from these outstanding claims are not significant.

c) As at December 31, 2015, there were various assessment appeals pending with respect to properties. The outcome of those appeals may result in adjustments to property taxes

receivable for the current and prior years. The Municipality makes a provision against property taxes receivable where the results of a specific appeal are reasonably determinable.

d) The Municipality is a Subscribed member of the Municipal Insurance Association of British Columbia (the "Exchange") as provided by Section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any Subscriber. Under the Reciprocal Insurance Exchange Agreement the Municipality is assessed a premium and specific deductible for its claims based on population. The obligation of the Municipality with respect to the Exchange and/or contracts and obligations entered in to by the Exchange on behalf of its Subscribers in connection with the Exchange are in every case several, and not joint and several.

8. LONG-TERM DEBT

a) The Municipality is party to several capital leases financed through the Municipal Finance Authority for the acquisition of vehicles and operating equipment. Lease terms are five years or less. The vehicles and equipment under capital leases have a carrying value of $343,467 (2014 - $438,687) and are recorded as non-financial assets in the statements.

The following is a schedule of future minimum lease payments under the capital leases with various expiry dates to 2019 together with the balance of the obligations under capital lease, which is included in the debenture and long-term debt as detailed in Schedule 2:

2016	$ 84,765
2017	59,743
2018	53,927
2019	17,258
Total minimum lease payments	215,693
Less: amount representing interest	(7,312)
Obligations under capital lease	$ 208,381

b) The Municipality is party to several equipment loans financed through the Municipal Finance Authority for the acquisition of vehicles and operating equipment. Loan terms are five years or less. The vehicles and equipment under these loans have a carrying value of $430,344 (2014 - $Nil) and are recorded as non-financial assets in the statements.

The following is a schedule of future minimum loan payments under the equipment financing loans with various expiry dates to 2020 together with the balance of the obligations under the loans, which is included in the debenture and long-term debt as detailed in Schedule 2:

2016	$ 93,269
2017	93,269
2018	93,269
2019	93,269
2020	56,318
Total minimum lease payments	429,394
Less: amount representing interest	(13,946)
Obligations under capital lease	$ 415,448

c) Principal payments on debenture and long-term debt over the next five years are as follows:

2016	$ 100,499
2017	104,619
2018	97,915
2019	101,832
2020	105,905
Thereafter	1,713,500
	$ 2,224,270

The estimated actuarial gain for 2015 is $532,111 (2014 - $362,131).

9. DEPOSITS AND RESERVES – MUNICIPAL FINANCE AUTHORITY

Under borrowing arrangements with the Municipal Finance Authority (MFA), the Village is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As the debt principal is retired, demand notes are released and the cash deposits are refunded and recorded as operating income in the period received.

As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default, and together with the demand notes are not recorded in the accounts. If the debt is repaid without default, the deposits are refunded to the Village. Details of the cash deposits are as follows:

	2015	**2014**
Cash deposits	$35,310	$34,428

10. UNFUNDED LIABILITY

Employee Benefits

Employees who retire qualify for a one time payout of up to 72 days of their accumulated unused sick leave bank after 10 years of service. The Village calculates the value of this liability for employees based on review of the total vested and non-vested accrued time to date. Probabilities of 10 – 90% are assigned based on years of service and length of time to retirement and discounted at 2.49%. At December 31, 2015, the value of sick leave for all vested employees is calculated at $65,220 (2014 - $46,264). The total estimated employee retirement benefit liability at December 31, 2015 is $216,013 (2014 - $136,867). Employee retirement benefit payments are being funded by an accounting charge on sick time accrued during the year and are included in the accounts payable and accrued liabilities.

11. PENSION LIABILITY

The municipality and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusteed 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 pension 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 23 contributors from the Corporation of the Village of Cumberland and 37,000 contributors from local governments.

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 as at December 31, 2012 indicated a $1.370 billion funding deficit for basic pension benefits on a going concern basis.

The Corporation of the Village of Cumberland paid $132,812 for employer contributions in fiscal 2015, which represents 0.01% of the total plan contributions. The Corporation of the Village of Cumberland expects to pay $135,600 for employer contributions in the next fiscal year.

The next valuation will be as at December 31, 2015 with results available later in 2016.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The Corporation of the Village of Cumberland paid $132,812 (2014 - $125,859) for employer contributions while employees contributed $119,144 (2014 - $109,832) to the plan in fiscal 2015.

12. TRUST FUNDS

The following assets are held in trust by the Village for cemetery care. Neither the assets nor related liability have been recorded in the financial statements.

	2015	2014
Cash and cash equivalents	$ 50,109	$ 47,304

13. ANNUAL BUDGET

Budget figures are based on the *2015-2019 Financial Plan Bylaw No. 1017, 2015* approved by Council in May of 2015. Figures are presented on the basis used for actual results and were adjusted as follows to comply with financial statement presentation:

Surplus per 2015 – 2019 Financial Plan	$ -
Remove proceeds from borrowing	(1,458,000)
Remove principal payments on debt	259,575
Add back amortization	(967,785)
Remove capital acquisitions	8,542,075
Transfer to reserves	(1,434,570)
Surplus restated for financial statement purposes	$ 4,941,295

	Original Financial Plan Bylaw 1017	Final Amended Financial Plan Bylaw 1031	Difference
Revenues	$ (9,721,280)	$ (9,871,280)	$ (150,000)
Expenses			
General government services	729,395	729,395	-
Transportation services	1,111,745	1,113,545	1,800
Protective services	552,520	552,520	-
Environmental health services	1,633,330	1,708,330	75,000
Public health services	91,000	91,000	-
Environmental planning and development services	388,415	388,415	-
Recreation and cultural services	986,250	986,250	-
	5,492,655	5,569,455	76,800
Net (Revenues) Expenses	(4,228,625)	(4,301,825)	(73,200)
Adjustments	6,375,865	6,669,865	294,000
Transfers (from) to reserves	(1,434,570)	(1,655,370)	(220,800)
Development costs charges	(712,670)	(712,670)	-
	4,228,625	4,301,825	73,200
Transfer to/(from) accumulated surplus	$ -	$ -	$ -

14. ENVIRONMENTAL REGULATIONS

The Municipality makes every reasonable effort to comply with all environmental regulations that apply to its operations. These regulations may require future expenditures to meet applicable standards. Amounts required to meet these obligations will be charged to operations when incurred or set aside as future reserves when they can be reasonably estimated.

15. FEDERAL GAS TAX AGREEMENT FUNDS

Gas Tax Agreement funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the local government and the Union of British Columbia Municipalities. Gas Tax Agreement funding may be used towards designated categories that include public transit, community energy, water, wastewater, solid waste, transportation, tourism, sports, culture and recreation infrastructure, disaster mitigation and capacity building projects, as specified in the funding agreements.

During 2014 the Village entered into a Renewed Gas Tax Agreement that differed in several key ways from the previous agreement. The result of these differences, and in accordance with the Village's accounting policy for Government Transfers, is that revenues under the Community Works Fund portion of the program will be recognized when allocated to the Village.

The Renewed Gas Tax Agreement also provides that any unspent amounts from the previous agreement will be brought forward to the new agreement. These amounts were previously recorded as deferred revenue. The impact of this new agreement is a significant increase to revenue in 2014 to recognize the amounts previously deferred.

The Village continues to track the unspent amounts in the Community Works Reserve Fund. The continuity of this fund is presented in the table below:

	2015	2014
Opening Balance of Unspent Deferred Funds	$ 565,432	$ -
Add:		
Transfer of Community Works Funds from 2013	-	489,338
Amounts received during the year	189,463	189,463
Interest earned on funds	2,924	9,779
Less:		
Amounts allocated to projects during the year	(434,925)	(123,148)
Closing balance of unspent funds	$ 322,894	$ 565,432

16. ACCUMULATED SURPLUS

Operating Funds - comprise the principal operating activities of the Village and are separated into General, Water, and Sanitary Sewer Funds.

Reserve Funds - created to hold cash, and investments for specific future requirements.

Equity In Tangible Capital Assets - used to record the acquisition and disposal of tangible capital assets and related financing and similarly separated into General, Water and Sanitary Sewer Funds.

Accumulated Surplus:	**2015**	**2014**
Operating Funds **:		
General Fund	$ 3,954,172	$ 3,876,100
Water Fund	818,570	744,188
Sanitary Sewer Fund	477,833	416,150
	5,250,575	5,036,438
Reserve Funds:		
General Capital Works	131,467	108,927
Water Capital Works	64,695	63,863
Sanitary Sewer Capital Works	58,523	57,595
Parkland Reserve	128,938	126,414
Land Sale Reserve	317,449	332,216
	701,072	689,015
Equity In Tangible Capital Assets:		
General Fund	15,353,020	13,299,545
Water Fund	9,419,940	9,319,765
Sanitary Sewer Fund	11,945,563	11,356,897
	36,718,523	33,976,207
Accumulated Surplus	$ 42,670,170	$ 39,701,660

** The operating funds above have balances reserved within them for specific purposes and Community Works and Host Amenity funds are included in the reserved funds.

18. SEGMENTED INFORMATION

The Municipality is a diversified local government institution that provides a wide range of services to its citizens, including the provision of water, sewer, garbage disposal, recreation, parks, and cemetery services. The services and functions of the Municipality have been segregated or grouped based on factors such as delivery method, similarity in regulations, restrictions or cost recovery and the nature of the service as voluntary or essential services. Consideration has been given to comparability to other Municipal bodies.

The segments are categorized and described as follows:

General Government
This segment includes activities pertaining to the general administration and governance of the organization and those services that are provided on a centralized basis for all other segments and departments of the organization. Council, management, corporate and financial services are included as are other general costs which are not easily allocated to individual activity areas.

Transportation Services
This segment includes general road way maintenance and upgrade, street lighting, sidewalk and other general duties of the Public Works department. The Department is responsible to ensure transportation infrastructure is safe and well maintained.

Protective Services
This segment includes fire protection services, emergency preparedness, bylaw enforcement and animal control. The function's mandate is to ensure the safety of the lives and property of citizens and preserve peace and good order.

Environmental Health Services
The Water and Waste segment consists of three distinct utilities: sewerage and drainage, water, and solid waste disposal. The department provides collection and treatment of sewage and storm water, treatment and delivery of drinking water and contracts garbage collection and recycling services. Ensuring environmental and public safety standards are the key concern for the functions within this segment.

Public Health Services
The Municipality owns and/or operates three cemeteries. Although some of the maintenance activities are similar to those provided in the Parks function, a larger portion of the cost and activity is specific to performing cemetery services. The function has been segregated due to the unique regulatory requirements and because these services would be delivered as a separate business function in the private sector. The administrative and maintenance services for this function are divided between two departments but costs for administration are not substantial nor easily attributed to this function and are, therefore, not reallocated from General Government.

Environmental Planning and Development Services
The Planning Department manages land use planning, building and development functions. The department is responsible for ensuring that these functions are planned and managed to address environmental and building regulations, heritage matters and community and public concerns.

Recreation and Cultural Services
This segment captures all activities relating to the health and well being of the citizens and community. The function includes recreational services such as a fitness centre and gym, facilities rentals and contributions to community and cultural events as well as provision and maintenance of parks and park facilities. The services in this category are not considered essential services but are important for economic and community development.

For each reported segment, revenues represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Property taxes, payments in lieu and the small community grant funds are apportioned based on budget with any variance in actual revenue being attributed back to General Government. All other revenues can be directly attributed to a particular segment. With the exception of some general fiscal services and centralized supply and services charged directly to the General Government function, all other costs are instigated for and charged directly to the specific segments when incurred.

SCHEDULE 1

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Tangible Capital Assets
For the Year Ended December 31, 2015

	Land	Building	Equipment / Furniture / Vehicles	Engineering Structures: Water	Engineering Structures: Sewer / Drainage	Engineering Structures: Roads	Land Improvements	Assets Under Development	2015 Total	2014 Total
Cost										
Opening balance	$ 4,769,618	$ 1,401,072	$ 3,129,194	$ 10,972,612	$ 15,629,319	$ 19,423,395	$ 1,597,064	$ 145,897	$ 57,068,171	$ 55,509,882
Add: Additions	33,480	-	456,430	364,253	654,624	1,637,253	107,829	872,037	4,125,906	2,515,153
Less: disposals	-	-	(36,242)	(68,626)	(17,840)	(335,537)	-	(27,504)	(485,749)	(956,864)
Less: write-downs	-	-	-	-	-	-	-	-	-	-
Closing balance	4,803,098	1,401,072	3,549,382	11,268,239	16,266,103	20,725,111	1,704,893	990,430	60,708,328	57,068,171
Accumulated Amortization										
Opening balance	-	1,370,882	1,572,925	2,420,705	2,277,732	11,456,321	973,736	-	20,072,301	19,429,927
Add: amortization	-	4,140	228,032	125,457	167,114	316,616	72,860	-	914,219	880,962
Less: disposals	-	-	(35,072)	(19,244)	(4,460)	(318,148)	-	-	(376,924)	(238,588)
Closing balance	-	1,375,022	1,765,885	2,526,918	2,440,386	11,454,789	1,046,596	-	20,609,596	20,072,301
Net Book Value, December 31, 2015	$ 4,803,098	$ 26,050	$ 1,783,497	$ 8,741,321	$ 13,825,717	$ 9,270,322	$ 658,297	$ 990,430	$ 40,098,732	
Net Book Value, December 31, 2014	$ 4,769,618	$ 30,190	$ 1,556,269	$ 8,551,907	$ 13,351,587	$ 7,967,074	$ 623,328	$ 145,897		$ 36,995,870

SCHEDULE 2

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Debenture and Long-Term Debt
As at December 31, 2015

	2015	2014
General Capital Fund		
Capital asset leases with various expiry dates to 2020, interest charged at prime less 1%, secured by equipment with carrying value of $343,467 (2014 - $438,687)	$ 208,381	$ 336,719
Equipment Financing Loans with various expiry dates to 2020, interest charged at floating rate (currently at 1.37%), secured by equipment with carrying value of $430,344 (2014 - $Nil)	415,448	-
Short-term loan Comox Lake Road 5 year loan # 305-6 interest charged between 1.34% and 1.38%	85,090	-
	708,919	336,719
Water Capital Fund		
Debenture Debt Water Bylaw #702, due 2018, interest charged at 6.9%, annual principal payment of $4,143	20,441	29,937
Interim Construction Financing Temporary Borrowing Bylaw #982, interest charged between 1.34% and 1.38%	447,021	362,132
	467,462	392,069
Sewer Capital Fund		
Debenture Debt Sanitary Sewer Improvements Bylaw #781, due 2036 interest charged at 4.43% annual principal payment of $15,797	718,819	740,438
Sanitary Sewer Improvements Bylaw #914, due 2031 interest charged at 3.25% annual principal payment of $58,164	1,485,010	1,550,437
	2,203,829	2,290,875
Total Debenture and Long-Term Debt	**$ 3,380,210**	**$ 3,019,663**

SCHEDULE 3

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Segment Disclosure
For the Year Ended December 31, 2015

	General government services		Transportation services		Protective services		Environmental health services		Public health services		Environmental planning and development services		Recreation and cultural services		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue																
Tax revenue	$ 426,979	$ 439,156	$ 790,194	$ 788,935	$ 307,826	$ 296,478	$ 177,777	$ 177,525	$ 6,041	$ 5,848	$ 82,307	$ 60,023	$ 578,231	$ 509,113	$ 2,369,355	$ 2,277,078
Sale of services	-	-	-	-	138,908	109,001	1,275,025	1,234,031	13,364	18,490	-	-	94,294	76,370	1,521,591	1,437,892
Transfer from other governments	612,177	876,328	1,358,840	181,211	97,249	85,724	66,581	-	288	32,773	22,618	49,919	151,058	132,652	2,308,811	1,358,607
Other revenues and contributions	118,033	125,301	702,440	501,521	24,712	264,398	648,760	509,351	5,174	232	106,164	122,968	67,634	263,778	1,672,917	1,787,549
Total revenues	1,157,189	1,440,785	2,851,474	1,471,667	568,695	755,601	2,168,143	1,920,907	24,867	57,343	211,089	232,910	891,217	981,913	7,872,674	6,861,126
Expenses																
Wages, salaries and benefits	342,587	292,202	379,422	374,201	294,706	252,127	579,854	559,520	14,009	9,314	156,030	147,216	468,442	397,806	2,235,050	2,032,386
Good and services	267,192	278,051	200,174	184,914	157,712	140,923	417,965	392,564	37,066	49,834	133,720	88,799	337,534	286,206	1,551,363	1,421,291
Debt expense	5,385	6,800	11,099	10,526	5,451	3,897	106,943	101,773	-	-	-	-	833	-	129,711	122,996
Amortization	25,115	24,700	395,277	378,236	47,604	66,043	360,168	338,742	1,902	1,902	-	-	84,153	71,339	914,219	880,962
Loss on disposal of assets	-	-	11,060	336,898	-	-	62,761	85,558	-	-	-	-	-	-	73,821	422,456
Total Expenses	640,279	601,753	997,032	1,284,775	505,473	462,990	1,527,691	1,478,157	52,977	61,050	289,750	236,015	890,962	755,351	4,904,164	4,880,091
Annual Surplus (Deficit)	**$ 516,910**	**$ 839,032**	**$ 1,854,442**	**$ 186,892**	**$ 63,222**	**$ 292,611**	**$ 640,452**	**$ 442,750**	**$ (28,110)**	**$ (3,707)**	**$ (78,661)**	**$ (3,105)**	**$ 255**	**$ 226,562**	**$ 2,968,510**	**$ 1,981,035**

SCHEDULE 4

THE CORPORATION OF THE VILLAGE OF CUMBERLAND
Segment Disclosure With Budget Information
For the Year Ended December 31, 2015

	General government services		Transportation services		Protective services		Environmental health services		Public health services		Environmental planning and development services		Recreation and cultural services		Total	
	Actual	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**
Revenue																
Tax revenue	$ 426,979	$ 426,960	$ 790,194	$ 790,180	$307,826	$307,825	$ 177,777	$ 177,770	$ 6,041	$ 6,045	$ 82,307	$ 82,305	$578,231	$ 578,220	$2,369,355	$2,369,295
Sale of services	-	-	-	-	138,908	146,220	1,275,025	1,240,415	13,364	16,050	-	-	94,294	74,125	1,521,591	1,476,810
Transfer from other governments	612,177	601,575	1,358,840	2,902,130	97,249	93,050	66,581	1,182,325	288	10,270	22,618	21,380	151,058	141,100	2,308,811	4,951,830
Other revenue and contributions	118,033	94,115	702,440	461,610	24,712	27,500	648,760	823,925	5,174	5,080	106,164	142,830	67,634	80,945	1,672,917	1,636,015
Total revenue	1,157,189	1,122,650	2,851,474	4,153,920	568,695	574,595	2,168,143	3,424,435	24,867	37,445	211,089	246,515	891,217	874,390	7,872,674	10,433,950
Expenses																
Wages, salaries and benefits	342,587	384,560	379,422	420,195	294,706	299,560	579,854	603,485	14,009	12,340	156,030	158,310	468,442	485,925	2,235,050	2,364,375
Good and services	267,192	314,615	200,174	256,145	157,712	173,985	417,965	576,950	37,066	76,505	133,720	230,105	337,534	398,935	1,551,363	2,027,240
Debt expense	5,385	5,520	11,099	12,000	5,451	6,440	106,943	108,535	-	-	-	-	833	760	129,711	133,255
Amortization	25,115	24,700	395,277	423,405	47,604	72,535	360,168	344,360	1,902	2,155	-	-	84,153	100,630	914,219	967,785
Loss on disposal of assets	-	-	11,060	-	-	-	62,761	-	-	-	-	-	-	-	73,821	-
Total expenses	640,279	729,395	997,032	1,111,745	505,473	552,520	1,527,691	1,633,330	52,977	91,000	289,750	388,415	890,962	986,250	4,904,164	5,492,655
2015 Annual Surplus (Deficit)	**$ 516,910**	**$ 393,255**	**$ 1,854,442**	**$3,042,175**	**$ 63,222**	**$ 22,075**	**$ 640,452**	**$ 1,791,105**	**$ (28,110)**	**$ (53,555)**	**$ (78,661)**	**$(141,900)**	**$ 255**	**$(111,860)**	**$2,968,510**	**$4,941,295**