

Financial Statements of

**THE CORPORATION OF THE  
DISTRICT OF OAK BAY**

Year ended December 31, 2011

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Financial Statements

Year ended December 31, 2011

### Financial Statements

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## **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The accompanying financial statements of The Corporation of the District of Oak Bay (the "District") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with public sector accounting principles established by The Canadian Institute of Chartered Accountants. A summary of 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 District'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 their approval of the financial statements.

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

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*Chief Administrative Officer*

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*Treasurer*



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## INDEPENDENT AUDITORS' REPORT

*To the Mayor and Councillors of The Corporation of the District of Oak Bay*

We have audited the accompanying financial statements of The Corporation of the District of Oak Bay which comprise the statement of financial position as at December 31, 2011, the statements of operations and accumulated surplus, change 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 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 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Corporation of the District of Oak Bay as at December 31, 2011, and its results of operations, its change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

May 15, 2012  
Victoria, Canada

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Statement of Financial Position

December 31, 2011, with comparative information for 2010

	2011	2010
<b>Financial assets:</b>		
Cash	\$ 757,280	\$ 817,377
Investments (note 2)	29,330,014	27,251,590
Taxes receivable	402,401	346,365
Other accounts receivable	657,620	774,284
	<u>31,147,315</u>	<u>29,189,616</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	2,010,460	2,261,093
Deposits	2,097,608	2,359,463
Prepaid property taxes	1,262,702	1,171,415
Deferred revenue (note 3)	3,415,580	2,886,915
Employee future benefit obligations (note 4)	1,512,000	1,435,800
Long-term debt (note 5)	3,608,290	3,848,560
	<u>13,906,640</u>	<u>13,963,246</u>
<b>Net financial assets</b>	17,240,675	15,226,370
<b>Non-financial assets:</b>		
Tangible capital assets (note 6)	48,931,988	48,368,459
Inventory of supplies	490,668	505,198
Prepaid expenses	395,180	400,973
	<u>49,817,836</u>	<u>49,274,630</u>
<b>Accumulated surplus (note 7)</b>	<u>\$ 67,058,511</u>	<u>\$ 64,501,000</u>

Commitments and contingent liabilities (note 9)

See accompanying notes to financial statements.

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Treasurer

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Statement of Operations and Accumulated Surplus

Year ended December 31, 2011, with comparative information for 2010

	Financial plan (unaudited - note 11)	2011	2010
<b>Revenue:</b>			
Taxation, net (note 8)	\$ 18,435,549	\$ 18,470,324	\$ 17,722,959
Sales and services	6,702,500	6,544,194	6,605,719
Other revenues	3,207,521	1,789,541	1,989,408
Government transfers - Provincial	575,755	585,558	285,365
Investment income	167,000	412,460	269,991
Sales of water and sewer charges	4,703,972	4,118,369	3,593,233
<b>Total revenue</b>	<b>33,792,297</b>	<b>31,920,446</b>	<b>30,466,675</b>
<b>Expenses:</b>			
General government	4,365,630	3,338,689	3,260,817
Protective services	8,278,711	8,100,680	8,117,340
Transportation services	2,541,613	2,947,098	2,774,391
Environmental health services	935,254	986,851	993,165
Recreation services	10,349,279	10,642,729	10,737,332
Water utilities	2,581,480	2,633,944	2,618,432
Sewer collection system	727,155	712,944	583,881
<b>Total expenses</b>	<b>29,779,122</b>	<b>29,362,935</b>	<b>29,085,358</b>
Annual surplus	4,013,175	2,557,511	1,381,317
Accumulated surplus, beginning of year	64,501,000	64,501,000	63,119,683
<b>Accumulated surplus, end of year</b>	<b>\$ 68,514,175</b>	<b>\$ 67,058,511</b>	<b>\$ 64,501,000</b>

See accompanying notes to financial statements.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Statement of Change in Net Financial Assets

Year ended December 31, 2011, with comparative information for 2010

	Financial plan (unaudited - note 11)	2011	2010
Annual surplus	\$ 4,013,175	\$ 2,557,511	\$ 1,381,317
Acquisition of tangible capital assets	(4,192,181)	(2,313,988)	(3,248,858)
Amortization of tangible capital assets	-	1,717,650	1,644,660
Loss on disposal of tangible capital assets	-	29,809	181,402
Proceeds on disposal of tangible capital assets	-	3,000	62,000
	(4,192,181)	(563,529)	(1,360,796)
Acquisition of inventory of supplies	-	14,530	(8,992)
Use of prepaid expenses	-	5,793	11,480
	-	20,323	2,488
Change in net financial assets	(179,006)	2,014,305	23,009
Net financial assets, beginning of year	15,226,370	15,226,370	15,203,361
Net financial assets, end of year	\$ 15,047,364	\$ 17,240,675	\$ 15,226,370

See accompanying notes to financial statements.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Statement of Cash Flows

Year ended December 31, 2011, with comparative information for 2010

	2011	2010
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus	\$ 2,557,511	\$ 1,381,317
Items not involving cash:		
Amortization of tangible capital assets	1,717,650	1,644,660
Loss on disposal of tangible capital assets	29,809	181,402
Change in non-cash operating assets and liabilities:		
Taxes receivable	(56,036)	9,615
Other accounts receivable	116,664	114,531
Accounts payable and accrued liabilities	(250,633)	864,907
Deposits	(261,855)	160,768
Prepaid property taxes	91,287	46,930
Deferred revenue	528,665	472,885
Employee future benefit obligations	76,200	114,900
Inventory of supplies	14,530	(8,992)
Prepaid expenses	5,793	11,480
	<u>4,569,585</u>	<u>4,994,403</u>
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(2,313,988)	(3,248,858)
Proceeds on disposal of tangible capital assets	3,000	62,000
	<u>(2,310,988)</u>	<u>(3,186,858)</u>
<b>Investing activities:</b>		
Investments	(2,078,424)	(2,403,342)
<b>Financing activities:</b>		
Long-term debt issued	81,567	212,317
Long-term debt repaid	(321,837)	(275,115)
	<u>(240,270)</u>	<u>(62,798)</u>
Decrease in cash	(60,097)	(658,595)
Cash, beginning of year	817,377	1,475,972
Cash, end of year	<u>\$ 757,280</u>	<u>\$ 817,377</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 235,272	\$ 225,141
Cash received from interest	431,379	278,915

See accompanying notes to financial statements.



# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Notes to Financial Statements

Year ended December 31, 2011

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The Corporation of the District of Oak Bay (the "District") was incorporated on July 2, 1906 under the Municipal Act, a statute of the Province of British Columbia. Its principal activities are the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water, sewer and fiscal services.

### 1. Significant accounting policies:

The financial statements of the District are prepared by management in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants ("PSAB"). Significant accounting policies adopted by the District are as follows:

#### (a) Reporting entity:

The financial statements include a combination of all the assets, liabilities, accumulated surplus, revenues and expenses of all of the District's activities and funds. Inter-departmental balances and organizational transactions have been eliminated.

##### (i) Consolidated entities

The District does not control any significant external entities and accordingly no entities have been consolidated with the financial statements.

##### (ii) Funds held in trust

The financial statements exclude trust assets that are administered for the benefit of external parties (note 10).

#### (b) Basis of accounting:

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally 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) Government transfers:

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Transfers received for which expenses are not yet incurred are included in deferred revenue.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

### (d) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

### (e) Investment income:

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.

### (f) Investments:

Investments are recorded at cost. Investments in the Municipal Finance Authority of British Columbia ("MFA") Bond, Intermediate and Money Market Funds are recorded at cost plus earnings reinvested in the funds.

### (g) Long-term debt:

Long-term debt is recorded net of related sinking fund balances.

### (h) Employee future benefits:

The District and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Sick leave and other retirement benefits are also available to the District's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

### (i) Non-financial capital 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, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Land improvements	15 - 50
Building and building improvements	25 - 100
Machinery and equipment	3 - 30
IT equipment	5 - 8
Vehicles	10 - 20
Roads and drainage	25 - 100

Amortization is charged annually, including in the year of acquisition and 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) Works of art and cultural and historic assets

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

### (iv) Interest capitalization

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

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

(i) Non-financial capital assets (continued):

(v) 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.

(vi) Inventories of supplies

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

(j) Use of estimates:

The preparation of financial statements in conformity with public sector accounting standards requires management to make estimates and assumptions 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 period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

(k) Funds held in trust:

The financial statements exclude trust assets that are administered for the benefit of external parties.

## 2. Investments:

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	2011	2010
MFA Money Market Funds	\$ 29,330,014	\$ 26,287,840
Government of Canada Bonds	-	963,750
	<hr/> \$ 29,330,014	<hr/> \$ 27,251,590

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# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 2. Investments (continued):

Government of Canada Bonds at December 31, 2011, have stated interest rates of 9.00% (2010 - 9.00%) with a maturity date of March 1, 2011. The fair value of Government of Canada bonds is estimated at \$1,012,229 at December 31, 2010. The fair value of MFA Money Market Funds approximates the recorded value.

## 3. Deferred revenue:

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

	2011	2010
Gas Tax Agreement Funds balance	\$ 2,327,286	\$ 1,777,098
Unearned revenues	1,088,294	1,109,817
<b>Total deferred revenue</b>	<b>\$ 3,415,580</b>	<b>\$ 2,886,915</b>

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 public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

### Schedule of Gas Tax Agreement Funds

	2011	2010
Opening balance of unspent funds	\$ 1,777,098	\$ 1,325,828
Add:		
Amounts received during the year	531,269	531,324
Interest earned	18,919	8,924
	550,188	540,248
Less amount spent on projects and recorded as revenue	-	(88,978)
<b>Closing balance of unspent funds</b>	<b>\$ 2,327,286</b>	<b>\$ 1,777,098</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 4. Employee future benefit obligations:

The District provides sick leave and certain benefits to its employees. These amounts and other employee related liabilities will require funding in future periods and are set out below.

Accumulated sick leave represents the liability for sick leave banks accumulated for estimated draw downs at future dates. Retirement benefit payments represent the District's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments, death benefits, certain vacation entitlements in the year of retirement, and pension buyback arrangements for qualified employees. The accrued employee benefit obligations and the net periodic benefit cost were estimated by an actuarial valuation completed effective for December 31, 2010.

Information about liabilities for employee benefit plans is as follows:

	2011	2010
Accrued benefit liability, beginning of year	\$ 1,435,800	\$ 1,320,900
Service cost	97,100	94,800
Interest cost	55,400	63,000
Plan amendment	32,700	-
Long-term disability expense	59,100	49,100
Amortization of net actuarial gain	(45,500)	(11,300)
Benefit payments	(122,600)	(80,700)
Accrued benefit liability, end of year	\$ 1,512,000	\$ 1,435,800

The difference between the actuarially accrued benefit obligation of \$1,517,600 (2010 - \$1,320,100) and the accrued benefit liability of \$1,512,000 (2010 - \$1,435,800) is an actuarial net loss of \$5,600 (2010 - gain of \$115,700). This actuarial loss is being amortized over a period equal to the employees' average remaining service period of 10 years.

The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$198,800 (2010 - \$195,600).

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 4. Employee future benefit obligations (continued):

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

	2011	2010
Discount rates	3.50 %	4.25 %
Expected future inflation rates	2.50 %	2.50 %
Expected wage and salary increases	2.58 to 4.63 %	2.58 to 4.63 %

### Municipal Pension Plan

The District and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local government.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012, with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. The District paid \$1,408,774 (2010 - \$1,378,091) for employer contributions and District employees paid \$1,007,771 (2010 - \$1,001,536) for employee contributions to the plan in fiscal 2011.

### GVLRA – CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employees representing a number of CUPE locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. Employers and employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined at December 31, 2011. At December 31, 2011, the total plan provision for approved and unreported claims was \$17,077,500 with a net deficit of \$5,359,196. The actuary does not attribute portions of the unfunded liability to individual employers. The District paid \$38,741 (2010 - \$38,741) for employer contributions and District employees paid \$38,807 (2010 - \$38,807) for employee contributions to the plan in fiscal 2011.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 5. Long-term debt:

	2011	2010
Debenture debt - MFA Issue 80 payable at \$142,594 annually; fixed interest payments 4.775% paid semi-annually (\$112,571). Final payment October 3, 2023.	\$ 3,353,356	\$ 3,554,000
Capital leases - MFA, payable monthly; payments include interest from 1.25% to 5.25%; terms to 2015.	254,934	294,560
<b>Total General Capital Fund debt</b>	<b>\$ 3,608,290</b>	<b>\$ 3,848,560</b>

### (a) Debenture debt:

The loan agreements with the Capital Regional District and the MFA provide that if, at any time, the scheduled payments provided for in the agreements are not sufficient to meet the MFA's obligations in respect of such borrowings, the resulting deficiency becomes a liability of the District.

The District issues its debentures through the MFA. Debentures are issued on a sinking fund basis, where the MFA invests the District's sinking fund payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. The gross value of debenture debt at December 31, 2011 is \$4,715,000. The value of the sinking fund as of December 31, 2011 is \$1,378,425.

### (b) The aggregate amount of payments required on the District's long-term debt during each of the next five years is as follows:

	Minimum lease payments	Estimated principal payments	Total
2012	\$ 93,153	\$ 192,594	\$ 285,747
2013	89,905	192,594	282,499
2014	40,024	192,594	232,618
2015	26,964	192,594	219,558
2016	4,888	192,594	197,482
	<b>\$ 254,934</b>	<b>\$ 962,970</b>	<b>\$ 1,217,904</b>

### (c) Total interest expense on long-term debt for the year ending December 31, 2011 amounted to \$235,272 (2010 - \$226,957).



# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 6. Tangible capital assets:

Cost	Balance December 31, 2010	Additions	Disposals/ Transfers	Balance December 31, 2011
Land	\$ 2,852,877	\$ -	\$ -	\$ 2,852,877
Land improvements	500,423	162,183	-	662,606
Building and building improvements	20,830,640	1,170,709	(36,349)	21,965,000
Machinery and equipment	2,038,491	192,170	(41,231)	2,189,430
IT equipment	572,770	114,491	(58,657)	628,604
Vehicles	4,870,448	200,077	(50,303)	5,020,222
Roads and drainage	48,893,833	1,100,316	(9,684)	49,984,465
Assets under construction	994,751	-	(625,958)	368,793
<b>Total</b>	<b>\$ 81,554,233</b>	<b>\$ 2,939,946</b>	<b>\$ (822,182)</b>	<b>\$ 83,671,997</b>

Accumulated amortization	Balance December 31, 2010	Disposals	Amortization expense	Balance December 31, 2011
Land improvements	\$ 58,422	\$ -	\$ 24,842	\$ 83,264
Building and building improvements	6,271,821	-	368,450	6,640,271
Machinery and equipment	1,046,903	(35,115)	194,890	1,206,678
IT equipment	342,290	(58,657)	110,812	394,445
Vehicles	2,001,586	(34,164)	263,702	2,231,124
Roads and drainage	23,464,752	(35,479)	754,954	24,184,227
<b>Total</b>	<b>\$ 33,185,774</b>	<b>\$ (163,415)</b>	<b>\$ 1,717,650</b>	<b>\$ 34,740,009</b>

Net book value	December 31, 2010	December 31, 2011
Land	\$ 2,852,877	\$ 2,852,877
Land improvements	442,001	579,342
Building and building improvements	14,558,819	15,324,729
Machinery and equipment	991,588	982,752
IT equipment	230,480	234,159
Vehicles	2,868,862	2,789,098
Roads and drainage	25,429,081	25,800,238
Assets under construction	994,751	368,793
<b>Total</b>	<b>\$ 48,368,459</b>	<b>\$ 48,931,988</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

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## 6. Tangible capital assets (continued):

### (a) Assets under construction

Assets under construction having a value of \$368,793 (2010 - \$994,751) have not been amortized. Amortization of these assets will commence when the asset is available for service.

### (b) Contributed tangible capital assets

There were no contributed assets recognized during 2011 or 2010.

### (c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, tangible capital assets are recognized at a nominal value. Land is the only category where nominal values have been assigned.

### (d) Works of art and historical treasures

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

### (e) Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$nil (2010 - \$nil).

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 7. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2011	2010
<b>Surplus:</b>		
Equity in tangible capital assets	\$ 45,323,698	\$ 44,519,899
Operating Fund	3,943,082	3,837,742
Total surplus	49,266,780	48,357,641
<b>Reserve Funds:</b>		
Village Parking	853,244	841,034
Fire Equipment	417,668	295,609
Land Sale	1,779,484	1,768,604
Machinery and Equipment	1,792,029	1,539,202
Heritage	2,179,562	2,165,171
Tax Sale Property	1,727	1,718
Parks Acquisition	257,926	254,459
Capital Works	10,489,075	9,245,552
Alternative Transportation Infrastructure	21,016	32,010
Total reserve funds	17,791,731	16,143,359
	\$ 67,058,511	\$ 64,501,000

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 8. Taxation:

As well as taxes for its own purposes, the District is required to collect taxes on behalf of, and transfer these amounts to, the government agencies noted below. Taxes levied over or under the amounts requisitioned are recorded as accounts payable or receivable.

	2011	2010
Taxes		
Property tax	\$ 32,986,982	\$ 32,059,810
Payments in lieu of taxes	156,726	155,178
Special assessments and local improvements	232,925	229,497
1% Utility tax	123,829	120,029
Waste disposal fees	1,213,997	1,188,057
Penalties and interest	132,111	109,423
	<u>34,846,570</u>	<u>33,861,994</u>
Less taxes levied on behalf of:		
Provincial government - school taxes	9,378,244	9,430,129
Capital Regional District	2,467,520	2,508,981
Telus (CREST) - CRD	70,984	74,746
Provincial Government - Non-residential school	1,026,334	1,017,943
Capital Regional Hospital District	1,666,867	1,633,930
Municipal Finance Authority	1,162	1,113
BC Assessment Authority	367,526	375,841
BC Transit Authority	1,327,609	1,026,349
Business Improvement Area	70,000	70,003
	<u>16,376,246</u>	<u>16,139,035</u>
Net taxes available for municipal purposes	<u>\$ 18,470,324</u>	<u>\$ 17,722,959</u>

## 9. Commitments and contingent liabilities:

In the normal course of business, the District enters into commitments for both capital and operational expenses. These commitments have been budgeted for within the appropriate annual financial plan and have been approved by Council.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

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## 9. Commitments and contingent liabilities (continued):

### (a) MFA debt reserve fund deposits:

Under borrowing arrangements with the MFA, the District is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are included in the District's financial assets as cash and are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the District. At December 31, 2011 there were contingent demand notes of \$136,718 (2010 - \$136,718) which are not included in the financial statements of the District.

### (b) Capital Regional District (CRD) debt, under the provision of the Local Government Act, is a direct, joint and several liability of the CRD and each member municipality within the CRD, including the District.

### (c) The District is a shareholder and member of the Capital Regional Emergency Service Telecommunications (CREST) Incorporated whose services provide centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.

### (d) The District is a defendant in various lawsuits and historical circumstances may result in additional legal claims. The District records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. Other claims will be recorded when a liability is likely and determinable.

The District is self-insured for general liability claims through membership in the Municipal Insurance Association of British Columbia, a reciprocal insurance exchange. Under this program, member municipalities jointly share claims against any member in excess of their deductible. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with the other participants, would be required to contribute towards the deficit. The District's deductible is \$10,000.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 9. Commitments and contingent liabilities (continued):

- (f) During 2008 the Province of BC gave its share (50%) of the heritage property known as Tod House to the District. The value of this transaction has been recorded as \$395,000. Concurrently the Province registered a "Possibility of Reverter" against the property. This states that the Province has granted its interest to the District "for so long as the land is used for the specific purpose of managing the Tod House Heritage Site". Previous correspondence with the Province suggests that if the property use is changed the District will pay to the Province 50% of the market value of the property at the time that its use changed. The District has no plans to change the use of Tod House.
- (g) During 2010 the District, under the approval of Council, committed to provide funding of \$1,000,000 towards the construction of a new Community Theatre and art facilities for the new Oak Bay High School. The funding is to be made in two payments of \$500,000, one payable in the spring of 2012, and the second to be paid upon completion of the project in 2013. These contributions will be recognized in the financial statements when the recipient has met the eligibility criteria for the funding.

## 10. Trust funds:

Trust funds administered by the District have not been included in the statement of financial position nor have their operations been included in the statement of operations.

	Heritage House Trust	Legacy Trusts	2011	2010
Financial assets:				
Cash	\$ 839	\$ 5,746	\$ 6,585	\$ 617
Investments	201,128	397,021	598,149	583,073
Due from operating fund	11,366	-	11,366	13,630
	\$ 213,333	\$ 402,767	\$ 616,100	\$ 597,320

Since the use of Trust Funds is restricted, their assets and liabilities are not recorded in the financial statements.

The District has received bequests that are to be used for various purposes. These are maintained in the Legacy Trusts, with authorized expenditures being funded from it, and earnings on investments being added to the Trust.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

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## 11. Financial plan data:

The unaudited financial plan data presented in these financial statements is based upon the 2011 operating and capital financial plans approved by Council on June 18, 2011. Amortization was not contemplated on development of the financial plan and, as such, has not been included. The following reconciles the approved financial plan to the financial plan figures reported in these financial statements.

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	Financial plan amount
Revenues:	
Financial plan	\$ 36,410,333
Less:	
Transfers from own funds	<u>(2,621,386)</u>
Total revenue	33,788,947
Expenses:	
Financial plan	36,410,333
Less:	
Capital expenses	(4,192,181)
Transfer to other funds	(2,199,960)
Debt principal payments	<u>(239,070)</u>
Total expenses	29,779,122
Annual surplus	<u>\$ 4,009,825</u>

The annual surplus above represents the planned results of operations prior to the budgeted transfers between reserve funds, debt repayments and capital expenditures.

## 12. Segmented information:

The Corporation of the District of Oak Bay is a diversified municipal organization that provides a wide range of services to its citizens. For management reporting purposes, the District's operations and activities are organized and reported by service areas. Municipal services are provided by departments and their activities are reported in these service areas. Service areas that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

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## 12. Segmented information (continued):

(i) General Government:

The departments within General Government are Corporate Administration, Building and Planning, Finance, and Information Technology. These departments are responsible for adopting bylaws, adopting administrative policy, levying taxes ensuring effective financial management, monitoring performance and ensuring that high quality municipal service standards are met.

(ii) Protective Services:

Protective Services is made up of Police, Fire, Building and Planning and Animal Control. The Police Department ensures the safety of the lives and property of Oak Bay citizens through the enforcement of municipal bylaws and criminal law, the maintenance of law and order, and the prevention of crime. The Fire Department is responsible for providing critical, life-saving services in preventing or minimizing the loss of life and property from fire emergencies. The Fire Department also coordinates the District's emergency program. The Building and Planning department provides a full range of building services related to permits and current regulatory issues and through its Bylaw Enforcement division promotes, facilitates and enforces general compliance with bylaws. Animal Control services enforce the animal control bylaws and operate the pound and adoption centre for animals.

(iii) Transportation Services:

Transportation Services is responsible for the construction and maintenance of roads and sidewalks throughout Oak Bay. Other duties include street cleaning, leaf pickup, snow removal and street lighting. This department is also responsible for the construction and maintenance of the storm drain collection systems.

(iv) Environmental Health Services:

The Environmental Health Services is responsible for the collection and disposal of household garbage.

(v) Recreation Services:

Recreation Services is responsible for providing, facilitating the development of, and maintaining the high quality of parks, recreation facilities, and cultural services.



# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

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## 12. Segmented information (continued):

### (vi) Water Utilities and Sewer Collection System:

The Water Utilities and Sewer Collection System Departments operate and distribute the water and sewer networks. They are responsible for the construction and maintenance of the water and sewer distribution systems, including mains and pump stations.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. Taxation and payments-in-lieu of taxes are apportioned to General Government, Protective, Transportation, and Recreation Services based on current year expenditures. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 12. Segmented information (continued):

2011	General Government	Protective Services	Transportation Services	Environmental Health	Recreation Services	Water Utility	Sewer Collection System	Total
<b>Revenue:</b>								
Taxation	\$ 1,806,276	\$ 7,793,282	\$ 3,128,149	\$ 1,213,997	\$ 4,528,620	\$ -	\$ -	\$ 18,470,324
Sales and service	74,120	-	-	10,913	6,459,161	2,952,701	1,165,668	10,662,563
Provincial government	398,757	186,801	-	-	-	-	-	585,558
Other revenues	1,017,852	714,395	57,294	-	-	-	-	1,789,541
Investment income	412,460	-	-	-	-	-	-	412,460
<b>Total revenue</b>	<b>3,709,465</b>	<b>8,694,478</b>	<b>3,185,443</b>	<b>1,224,910</b>	<b>10,987,781</b>	<b>2,952,701</b>	<b>1,165,668</b>	<b>31,920,446</b>
<b>Expenses:</b>								
Salaries and wages	1,258,464	6,948,557	1,603,735	316,401	7,241,813	519,438	344,417	18,232,825
Materials, supplies and services	1,988,990	1,025,256	845,552	523,151	2,612,144	1,911,908	278,502	9,185,503
Interest and other	-	-	-	-	226,957	-	-	226,957
Amortization	91,235	126,867	497,811	147,299	561,815	202,598	90,025	1,717,650
<b>Total expenses</b>	<b>3,338,689</b>	<b>8,100,680</b>	<b>2,947,098</b>	<b>986,851</b>	<b>10,642,729</b>	<b>2,633,944</b>	<b>712,944</b>	<b>29,362,935</b>
<b>Annual surplus</b>	<b>\$ 370,776</b>	<b>\$ 593,798</b>	<b>\$ 238,345</b>	<b>\$ 238,059</b>	<b>\$ 345,052</b>	<b>\$ 318,757</b>	<b>\$ 452,724</b>	<b>\$ 2,557,511</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 12. Segmented information (continued):

2010	General Government	Protective Services	Transportation Services	Environmental Health	Recreation Services	Water Utility	Sewer Collection System	Total
<b>Revenue:</b>								
Taxation	\$ 1,910,980	\$ 7,385,817	\$ 2,860,144	\$ 1,189,241	\$ 4,376,777	\$ -	\$ -	\$ 17,722,959
Sales and service	28,552	-	-	8,623	6,568,544	2,906,110	687,123	10,198,952
Provincial government	273,866	11,499	-	-	-	-	-	285,365
Other revenues	868,239	1,071,005	50,164	-	-	-	-	1,989,408
Investment income	269,991	-	-	-	-	-	-	269,991
<b>Total revenue</b>	<b>3,351,628</b>	<b>8,468,321</b>	<b>2,910,308</b>	<b>1,197,864</b>	<b>10,945,321</b>	<b>2,906,110</b>	<b>687,123</b>	<b>30,466,675</b>
<b>Expenses:</b>								
Salaries and wages	1,121,707	6,746,431	1,585,894	309,120	7,090,699	522,703	312,985	17,689,539
Materials, supplies and services	2,053,531	1,255,223	696,550	539,898	2,885,382	1,898,257	195,361	9,524,202
Interest and other	-	-	-	-	226,957	-	-	226,957
Amortization	85,579	115,686	491,947	144,147	534,294	197,472	75,535	1,644,660
<b>Total expenses</b>	<b>3,260,817</b>	<b>8,117,340</b>	<b>2,774,391</b>	<b>993,165</b>	<b>10,737,332</b>	<b>2,618,432</b>	<b>583,881</b>	<b>29,085,358</b>
<b>Annual surplus</b>	<b>\$ 90,811</b>	<b>\$ 350,981</b>	<b>\$ 135,917</b>	<b>\$ 204,699</b>	<b>\$ 207,989</b>	<b>\$ 287,678</b>	<b>\$ 103,242</b>	<b>\$ 1,381,317</b>