

Financial Statements of

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

Year ended December 31, 2012

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Financial Statements

Year ended December 31, 2012

### Financial Statements

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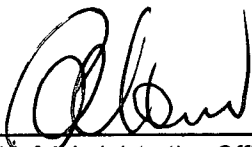
## **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The accompanying financial statements of The 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.



\_\_\_\_\_  
*Chief Administrative Officer*



\_\_\_\_\_  
*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, 2012, 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, 2012, 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

April 22, 2013  
Victoria, Canada

# THE CORPORATION OF THE DISTRICT OF OAK BAY


## Statement of Financial Position

December 31, 2012, with comparative information for 2011

	2012	2011
<b>Financial assets:</b>		
Cash	\$ 1,185,195	\$ 757,280
Investments (note 2)	30,452,141	29,330,014
Taxes receivable	351,862	402,401
Other accounts receivable	815,949	657,620
	<u>32,805,147</u>	<u>31,147,315</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	2,053,670	2,010,460
Deposits	1,298,884	2,097,608
Prepaid property taxes	1,292,590	1,262,702
Deferred revenue (note 3)	4,229,628	3,415,580
Employee future benefit obligations (note 4)	1,626,600	1,512,000
Long-term debt (note 5)	3,314,073	3,608,290
	<u>13,815,445</u>	<u>13,906,640</u>
<b>Net financial assets</b>	18,989,702	17,240,675
<b>Non-financial assets:</b>		
Tangible capital assets (note 6)	49,548,291	48,931,988
Inventory of supplies	459,742	490,668
Prepaid expenses	337,724	395,180
	<u>50,345,757</u>	<u>49,817,836</u>
<b>Accumulated surplus (note 7)</b>	<u>\$ 69,335,459</u>	<u>\$ 67,058,511</u>

Commitments and contingent liabilities (note 9)

See accompanying notes to financial statements.

 Treasurer

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Statement of Operations and Accumulated Surplus

Year ended December 31, 2012, with comparative information for 2011

	Financial plan (note 11)	2012	2011
<b>Revenue:</b>			
Taxation, net (note 8)	\$ 19,203,578	\$ 19,212,195	\$ 18,470,324
Sales and services	6,704,574	6,555,279	6,544,194
Other revenues	2,720,402	1,441,378	1,789,541
Government transfers	865,806	640,424	585,558
Investment income	142,000	343,974	412,460
Sales of water and sewer charges	4,093,664	4,067,419	4,118,369
<b>Total revenue</b>	<b>33,730,024</b>	<b>32,260,669</b>	<b>31,920,446</b>
<b>Expenses:</b>			
General government	4,031,872	3,435,093	3,338,689
Protective services	8,219,147	8,168,066	8,100,680
Transportation services	2,667,124	3,041,034	2,947,098
Environmental health services	926,497	1,023,807	986,851
Recreation services	10,466,955	10,817,752	10,642,729
Water utilities	2,618,380	2,751,089	2,633,944
Sewer collection system	879,923	746,880	712,944
<b>Total expenses</b>	<b>29,809,898</b>	<b>29,983,721</b>	<b>29,362,935</b>
Annual surplus	3,920,126	2,276,948	2,557,511
Accumulated surplus, beginning of year	67,058,511	67,058,511	64,501,000
<b>Accumulated surplus, end of year</b>	<b>\$ 70,978,637</b>	<b>\$ 69,335,459</b>	<b>\$ 67,058,511</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, 2012, with comparative information for 2011

	Financial plan (note 11)	2012	2011
Annual surplus	\$ 3,920,126	\$ 2,276,948	\$ 2,557,511
Acquisition of tangible capital assets	(4,478,555)	(2,410,155)	(2,313,988)
Amortization of tangible capital assets	-	1,710,239	1,717,650
Loss on disposal of tangible capital assets	-	26,363	29,809
Proceeds on disposal of tangible capital assets	-	57,250	3,000
	(4,478,555)	(616,303)	(563,529)
Use of inventory of supplies	-	30,926	14,530
Use of prepaid expenses	-	57,456	5,793
	-	88,382	20,323
Change in net financial assets	(558,429)	1,749,027	2,014,305
Net financial assets, beginning of year	17,240,675	17,240,675	15,226,370
Net financial assets, end of year	\$ 16,682,246	\$ 18,989,702	\$ 17,240,675

See accompanying notes to financial statements.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Statement of Cash Flows

Year ended December 31, 2012, with comparative information for 2011

	2012	2011
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus	\$ 2,276,948	\$ 2,557,511
Items not involving cash:		
Amortization of tangible capital assets	1,710,239	1,717,650
Loss on disposal of tangible capital assets	26,363	29,809
Change in non-cash operating assets and liabilities:		
Taxes receivable	50,539	(56,036)
Other accounts receivable	(158,329)	116,664
Accounts payable and accrued liabilities	43,210	(250,633)
Deposits	(798,724)	(261,855)
Prepaid property taxes	29,888	91,287
Deferred revenue	814,048	528,665
Employee future benefit obligations	114,600	76,200
Inventory of supplies	30,926	14,530
Prepaid expenses	57,456	5,793
	4,197,164	4,569,585
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(2,410,155)	(2,313,988)
Proceeds on disposal of tangible capital assets	57,250	3,000
	(2,352,905)	(2,310,988)
<b>Investing activities:</b>		
Investments	(1,122,127)	(2,078,424)
<b>Financing activities:</b>		
Long-term debt issued	6,216	81,567
Long-term debt repaid	(300,433)	(321,837)
	(294,217)	(240,270)
Increase (decrease) in cash	427,915	(60,097)
Cash, beginning of year	757,280	817,377
Cash, end of year	\$ 1,185,195	\$ 757,280
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 226,941	\$ 235,272
Cash received from interest	371,684	431,379

See accompanying notes to financial statements.



# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Notes to Financial Statements

Year ended December 31, 2012

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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, 2012

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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 principal repayments and actuarial adjustments.

### (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, 2012

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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, 2012

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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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	2012	2011
MFA Money Market Funds	\$ 22,328,934	\$ 22,709,555
MFA Short-term Bond Fund	205,352	200,694
MFA Intermediate Fund	7,917,855	6,419,765
	<hr/> \$ 30,452,141	<hr/> \$ 29,330,014

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# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 2. Investments (continued):

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:

	2012	2011
Gas Tax Agreement Funds balance	\$ 2,878,890	\$ 2,327,286
Unearned revenues	1,350,738	1,088,294
<b>Total deferred revenue</b>	<b>\$ 4,229,628</b>	<b>\$ 3,415,580</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

	2012	2011
Opening balance of unspent funds	\$ 2,327,286	\$ 1,777,098
Add:		
Amounts received during the year	531,268	531,269
Interest earned	27,710	18,919
	558,978	550,188
Less amount spent on projects and recorded as revenue	(7,374)	-
<b>Closing balance of unspent funds</b>	<b>\$ 2,878,890</b>	<b>\$ 2,327,286</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2012

#### 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:

	2012	2011
Accrued benefit liability, beginning of year	\$ 1,512,000	\$ 1,435,800
Service cost	111,600	97,100
Interest cost	51,300	55,400
Plan amendment	-	32,700
Long-term disability expense	48,000	59,100
Amortization of net actuarial gain	(5,600)	(45,500)
Benefit payments	(90,700)	(122,600)
Accrued benefit liability, end of year	\$ 1,626,600	\$ 1,512,000

The difference between the actuarially accrued benefit obligation of \$1,626,200 (2011 - \$1,517,600) and the accrued benefit liability of \$1,626,600 (2011 - \$1,512,000) is an actuarial net gain of \$400 (2011 - net loss of \$5,600). 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 \$205,300 (2011 - \$198,800).

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2012

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

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

	2012	2011
Discount rates	3.40 %	3.50 %
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 trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 176,000 active members and approximately 67,000 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 later in 2013. The actuary does not attribute portions of the surplus to individual employers. The District paid \$1,495,870 (2011 - \$1,408,774) for employer contributions and District employees paid \$1,153,600 (2011 - \$1,007,771) for employee contributions to the plan in fiscal 2012.

#### 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, 2012, the total plan provision for approved and unreported claims was \$16,019,500 with a net deficit of \$4,097,874. The actuary does not attribute portions of the unfunded liability to individual employers. The District paid \$54,122 (2011 - \$46,723) for employer contributions and District employees paid \$60,158 (2011 - \$44,115) for employee contributions to the plan in fiscal 2012.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 5. Long-term debt:

	2012	2011
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.	\$ 3,142,681	\$ 3,353,356
Capital leases - MFA, payable monthly; payments include interest from 1.25% to 2%; terms to 2016.	171,392	254,934
<b>Total General Capital Fund debt</b>	<b>\$ 3,314,073</b>	<b>\$ 3,608,290</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, 2012 is \$4,715,000. The accumulation of principal repayments and actuarial adjustments allocated to the District as of December 31, 2012 is \$1,572,319

### (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
2013	\$ 90,531	\$ 142,594	\$ 233,125
2014	41,299	142,594	183,893
2015	29,182	142,594	171,776
2016	10,063	142,594	152,657
2017	317	142,594	142,911
	<b>\$ 171,392</b>	<b>\$ 712,970</b>	<b>\$ 884,362</b>

### (c) Total interest expense on long-term debt for the year ending December 31, 2012 amounted to \$230,129 (2011 - \$235,272).



# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 6. Tangible capital assets:

Cost	Balance December 31, 2011	Additions	Disposals/ Transfers	Balance December 31, 2012
Land	\$ 2,852,877	\$ -	\$ -	\$ 2,852,877
Land improvements	662,606	85,707	-	748,313
Building and building improvements	21,965,000	161,253	-	22,126,253
Machinery and equipment	2,189,430	92,552	(13,912)	2,268,070
IT equipment	628,604	112,897	(78,504)	662,997
Vehicles	5,020,222	627,627	(374,900)	5,272,949
Roads, drains, sewer and water	49,984,465	1,238,125	(89,888)	51,132,702
Assets under construction	368,793	91,994	-	460,787
<b>Total</b>	<b>\$ 83,671,997</b>	<b>\$ 2,410,155</b>	<b>\$ (557,204)</b>	<b>\$ 85,524,948</b>

Accumulated amortization	Balance December 31, 2011	Disposals	Amortization expense	Balance December 31, 2012
Land improvements	\$ 83,264	\$ -	\$ 26,721	\$ 109,985
Building and building improvements	6,640,271	-	397,291	7,037,562
Machinery and equipment	1,206,678	(6,025)	143,805	1,344,458
IT equipment	394,445	(66,387)	105,259	433,317
Vehicles	2,231,124	(316,212)	284,306	2,199,218
Roads, drains, sewer and water	24,184,227	(84,967)	752,857	24,852,117
<b>Total</b>	<b>\$ 34,740,009</b>	<b>\$ (473,591)</b>	<b>\$ 1,710,239</b>	<b>\$ 35,976,657</b>

Net book value	December 31, 2011	December 31, 2012
Land	\$ 2,852,877	\$ 2,852,877
Land improvements	579,342	638,328
Building and building improvements	15,324,729	15,088,691
Machinery and equipment	982,752	923,612
IT equipment	234,159	229,680
Vehicles	2,789,098	3,073,731
Roads, drains, sewer and water	25,800,238	26,280,585
Assets under construction	368,793	460,787
<b>Total</b>	<b>\$ 48,931,988</b>	<b>\$ 49,548,291</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2012

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## 6. Tangible capital assets (continued):

### (a) Assets under construction

Assets under construction having a value of \$460,787 (2011 - \$368,793) 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 2012 or 2011.

### (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 (2011 - \$nil).

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 7. Accumulated surplus:

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

	2012	2011
<b>Surplus:</b>		
Equity in tangible capital assets	\$ 46,234,218	\$ 45,323,698
Operating Fund	4,267,787	3,943,082
<b>Total surplus</b>	<b>50,502,005</b>	<b>49,266,780</b>
<b>Reserve Funds:</b>		
Village Parking	863,838	853,244
Fire Equipment	540,240	417,668
Land Sale	1,753,387	1,779,484
Machinery and Equipment	1,539,294	1,792,029
Heritage	2,156,542	2,179,562
Tax Sale Property	1,735	1,727
Parks Acquisition	263,019	257,926
Capital Works	11,700,030	10,489,075
Alternative Transportation Infrastructure	15,369	21,016
<b>Total reserve funds</b>	<b>18,833,454</b>	<b>17,791,731</b>
	<b>\$ 69,335,459</b>	<b>\$ 67,058,511</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 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.

	2012	2011
<b>Taxes</b>		
Property tax	\$ 34,139,726	\$ 32,986,982
Payments in lieu of taxes	162,239	156,726
Special assessments and local improvements	235,995	232,925
1% Utility tax	118,477	123,829
Waste disposal fees	1,217,729	1,213,997
Penalties and interest	126,037	132,111
	<u>36,000,203</u>	<u>34,846,570</u>
<b>Less taxes levied on behalf of:</b>		
Provincial government - school taxes	9,493,062	9,378,244
Capital Regional District	2,578,014	2,467,520
Telus (CREST) - CRD	73,082	70,984
Provincial Government - Non-residential school	1,121,664	1,026,334
Capital Regional Hospital District	1,711,415	1,666,867
Municipal Finance Authority	1,183	1,162
BC Assessment Authority	361,849	367,526
BC Transit Authority	1,377,742	1,327,609
Business Improvement Area	69,997	70,000
	<u>16,788,008</u>	<u>16,376,246</u>
<b>Net taxes available for municipal purposes</b>	<u>\$ 19,212,195</u>	<u>\$ 18,470,324</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, 2012

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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, 2012 there were contingent demand notes of \$136,718 (2011 - \$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, 2012

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

- (e) 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.
- (f) 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 2013, and the second to be paid upon completion of the project. 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	2012	2011
Financial assets:				
Cash	\$ 843	\$ 935	\$ 1,778	\$ 6,585
Investments	203,260	369,957	573,217	598,149
Due from operating fund	28,176	-	28,176	11,366
	<u>\$ 232,279</u>	<u>\$ 370,892</u>	<u>\$ 603,171</u>	<u>\$ 616,100</u>

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, 2012

## 11. Financial plan data:

The financial plan data presented in these financial statements is based upon the 2012 operating and capital financial plans approved by Council on May 14, 2012 and subsequent amendments. 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.

	Financial plan amount
Revenues:	
Financial plan	\$ 36,627,428
Less:	
Transfers from own funds	(1,815,290)
Financial plan amendments	(1,082,114)
Total revenue	33,730,024
Expenses:	
Financial plan	36,627,428
Less:	
Capital expenses	(4,478,555)
Transfer to other funds	(1,273,247)
Debt principal payments	(239,649)
Financial plan amendments	(826,079)
Total expenses	29,809,898
Annual surplus	\$ 3,920,126

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, 2012

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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, 2012

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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, 2012

## 12. Segmented information (continued):

2012	General Government	Protective Services	Transportation Services	Environmental Health	Recreation Services	Water Utility	Sewer Collection System	Total
<b>Revenue:</b>								
Taxation	\$ 2,057,242	\$ 7,939,849	\$ 3,271,208	\$ 1,217,729	\$ 4,726,167	\$ -	\$ -	\$ 19,212,195
Sales and service	58,883	-	-	9,869	6,486,527	3,055,399	1,012,020	10,622,698
Government transfers	369,924	270,500	-	-	-	-	-	640,424
Other revenues	776,982	621,211	43,185	-	-	-	-	1,441,378
Investment income	343,974	-	-	-	-	-	-	343,974
<b>Total revenue</b>	<b>3,607,005</b>	<b>8,831,560</b>	<b>3,314,393</b>	<b>1,227,598</b>	<b>11,212,694</b>	<b>3,055,399</b>	<b>1,012,020</b>	<b>32,260,669</b>
<b>Expenses:</b>								
Salaries and wages	1,142,314	7,125,005	1,675,492	314,518	7,392,681	531,178	360,618	18,541,806
Materials, supplies and services	2,211,253	908,884	832,928	557,553	2,690,203	2,009,807	294,107	9,504,735
Interest and other	-	-	-	-	226,941	-	-	226,941
Amortization	81,526	134,177	532,614	151,736	507,927	210,104	92,155	1,710,239
<b>Total expenses</b>	<b>3,435,093</b>	<b>8,168,066</b>	<b>3,041,034</b>	<b>1,023,807</b>	<b>10,817,752</b>	<b>2,751,089</b>	<b>746,880</b>	<b>29,983,721</b>
<b>Annual surplus</b>	<b>\$ 171,912</b>	<b>\$ 663,494</b>	<b>\$ 273,359</b>	<b>\$ 203,791</b>	<b>\$ 394,942</b>	<b>\$ 304,310</b>	<b>\$ 265,140</b>	<b>\$ 2,276,948</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 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
Government transfers		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>