

Financial Statements of

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

Year ended December 31, 2009



THE CORPORATION OF THE DISTRICT OF OAK BAY

BOARDS AND COMMITTEES

2009

2010

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**MAYOR AND COUNCIL**

Mayor C.M. Causton

Mayor C.M. Causton

H.S. Braithwaite

H.S. Braithwaite

A.R. Cassidy

A.R. Cassidy

P.J. Copley

P.J. Copley

J.D. Herbert

J.D. Herbert

N.B. Jensen

N.B. Jensen

T. Ney

T. Ney

**CAPITAL REGIONAL DISTRICT BOARD DIRECTOR**

Mayor C.M. Causton

Mayor C.M. Causton

**POLICE BOARD**

Mayor C.M. Causton

Mayor C.M. Causton

D. House

D. House

J. Mochrie

J. Mochrie

J. Murtagh

J. Murtagh

D. Winkler

D. Winkler

**PARKS AND RECREATION COMMISSION**

L. Bennett

L. Bennett

F.S.B. Carson

F.S.B. Carson

R. Cavaye

D. Farquhar

M. Fairbarns

L. Hawes

D. Farquhar

D. Henderson

L. Hawes

M. Holding

D. Henderson

R. Marshall

M. Holding

B. Sharp

B. Sharp

C. Smith

**ADVISORY DESIGN PANEL**

N. Banks

N. Banks

D. Ensing

D. Ensing

G. Smith

B. Kapuscinski

P. Wilson

P. Wilson

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## BOARDS AND COMMITTEES

**2009**

**2010**

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### **ARCHIVES**

J. Sparks

J. Sparks

### **BOARD OF VARIANCE**

E. Kennedy

E. Kennedy

S. Manning

S. Manning

C. Monahan

C. Monahan

### **EMERGENCY PROGRAMME**

Oak Bay Fire Department

Oak Bay Fire Department

### **HERITAGE ADVISORY PANEL**

J. Bodnar

J. Bodnar

R. Collier

R. Collier

C. Peterson

C. Peterson

D. Reksten

J. Sparks

M. Walter

M. Walter

### **HERITAGE STEERING COMMITTEE**

C. Causton

T. Ney

J. Harker

G. Howey

B. Jacques

B. Jacques

J. Neilson

J. Lemery

D. Reksten

P. Mountjoy

S. Sainas

J. Neilson

J. Sparks

M. Palmer

B. Taylor

J. Sparks

C. Watts

B. Taylor

P. Wilson

### **HERITAGE FOUNDATION**

C. Causton

T. Ney

J. Harker

G. Howey

B. Jacques

B. Jacques

J. Neilson

J. Lemery

D. Reksten

P. Mountjoy

S. Sainas

J. Neilson

J. Sparks

M. Palmer

B. Taylor

J. Sparks

C. Watts

B. Taylor

P. Wilson

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

**MUNICIPAL OFFICIALS**

**2010**

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**OFFICIALS**

Municipal Administrator	M. Brennan
Treasurer and Collector	P.A. Walker
Municipal Clerk	L. Hilton
Deputy Treasurer	F. Pimentel
Director of Engineering Services	D. Marshall
Superintendent of Public Works	P.N. Barnett
Director of Parks and Recreation	L. Curtis
Director of Building and Planning	R. Thomassen
Fire Chief	G. Adam
Chief Constable	R. Gaudet

**OTHER**

Auditors	KPMG LLP
Solicitors	Staples McDannold Stewart
Bankers	Royal Bank of Canada

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Consolidated Financial Statements

Year ended December 31, 2009

## Financial Statements

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

The accompanying consolidated financial statements of The Corporation of the District of Oak Bay (the "Corporation") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. 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 Corporation'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 consolidated financial statements. These systems are monitored and evaluated by management.

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

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

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

  
\_\_\_\_\_  
*Treasurer*



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**Chartered Accountants**  
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800-730 View Street  
Victoria BC V8W 3Y7  
Canada

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Internet [www.kpmg.ca](http://www.kpmg.ca)

## AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of The Corporation of the District of Oak Bay as at December 31, 2009 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Victoria, Canada

April 23, 2010

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Consolidated Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated - note 2)
<b>Financial assets:</b>		
Cash	\$ 1,475,972	\$ 868,340
Investments (note 3)	24,848,248	24,073,125
Taxes receivable	355,980	261,211
Other accounts receivable	888,815	795,955
	<u>27,569,015</u>	<u>25,998,631</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	1,396,186	1,965,464
Deposits	2,198,695	2,185,871
Prepaid property taxes	1,124,485	940,611
Deferred revenue (note 4)	2,414,030	1,875,422
Employee future benefit obligations (note 5)	1,320,900	1,273,300
Long-term debt (note 6)	3,911,358	4,106,049
	<u>12,365,654</u>	<u>12,346,717</u>
<b>Net financial assets</b>	<u>15,203,361</u>	<u>13,651,914</u>
<b>Non-financial assets:</b>		
Tangible capital assets (note 7)	47,007,663	45,143,614
Inventory of supplies	496,206	474,131
Prepaid expenses	412,453	422,883
	<u>47,916,322</u>	<u>46,040,628</u>
<b>Accumulated surplus (note 8)</b>	<u>\$ 63,119,683</u>	<u>\$ 59,692,542</u>

Commitments and contingent liabilities (note 10)

The accompanying notes are an integral part of these consolidated financial statements.

  
Treasurer



# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Consolidated Statement of Operations

Year ended December 31, 2009, with comparative figures for 2008

	Budget (unaudited - note 12)	2009	2008 (Restated - note 2)
<b>Revenue:</b>			
Taxation, net (note 9)	\$ 17,116,731	\$ 17,125,747	\$ 16,483,246
Sales and services	6,417,661	6,522,971	6,268,093
Other revenues	1,643,742	2,039,094	1,848,399
Government transfers - Provincial	1,323,755	1,169,344	463,228
Investment income	175,000	359,482	827,149
Sales of water and sewer charges	3,626,640	3,502,851	3,169,432
<b>Total revenue</b>	<b>30,303,529</b>	<b>30,719,489</b>	<b>29,059,547</b>
<b>Expenses:</b>			
General government	3,213,777	3,030,440	3,043,009
Protective services	7,556,011	7,418,581	7,216,077
Transportation services	2,285,415	2,650,741	2,659,238
Environmental health	868,511	973,971	961,268
Recreation services	3,000	10,247,509	9,691,041
Water utility	9,911,778	2,465,539	2,139,918
Sewer collection systems	2,886,302	505,567	468,933
<b>Total expenses</b>	<b>26,724,794</b>	<b>27,292,348</b>	<b>26,179,484</b>
<b>Annual surplus</b>	<b>3,578,735</b>	<b>3,427,141</b>	<b>2,880,063</b>
<b>Accumulated surplus, beginning of year</b>	<b>59,692,542</b>	<b>59,692,542</b>	<b>56,812,479</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 63,271,277</b>	<b>\$ 63,119,683</b>	<b>\$ 59,692,542</b>

The accompanying notes are an integral part of these consolidated financial statements.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2009, with comparative figures for 2008

	Budget (unaudited - note 12)	2009	2008 (Restated - note 2)
Annual surplus	\$ 3,578,735	\$ 3,427,141	\$ 2,880,063
Acquisition of tangible capital assets	(6,436,512)	(3,492,802)	(2,142,798)
Amortization of tangible capital assets	-	1,532,491	1,441,150
Loss on sale of tangible capital assets	-	48,762	-
Proceeds on sale of tangible capital assets	-	47,500	-
	(6,436,512)	(1,864,049)	(701,648)
Consumption of inventory of supplies	-	(22,075)	(63,084)
Use of prepaid expenses	-	10,430	(22,996)
	-	(11,645)	(86,080)
Change in net financial assets	(2,857,777)	1,551,447	2,092,335
Net financial assets, beginning of year	13,651,914	13,651,914	11,559,579
Net financial assets, end of year	\$ 10,794,137	\$ 15,203,361	\$ 13,651,914

The accompanying notes are an integral part of these consolidated financial statements.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

## Consolidated Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008 (Restated - note 2)
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus	\$ 3,427,141	\$ 2,880,063
Items not involving cash:		
Amortization of tangible capital assets	1,532,491	1,441,150
Loss on disposal of tangible capital assets	48,762	-
Actuarial adjustment on debt	(39,396)	(30,730)
Change in non-cash operating assets and liabilities:		
Taxes receivable	(92,860)	(16,556)
Accounts receivable	(94,769)	(141,232)
Accounts payable and accrued liabilities	(569,278)	(57,085)
Employee future benefit obligations	47,600	54,000
Prepaid property taxes	183,874	(54,949)
Deposits	12,824	(2,959)
Deferred revenue	538,608	171,620
Inventory of supplies	(22,075)	(59,998)
Prepaid expenses	10,430	(26,082)
	4,983,352	4,157,242
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(3,492,802)	(2,142,798)
Proceeds on sale of tangible capital assets	47,500	-
	(3,445,302)	(2,142,798)
<b>Investing activities:</b>		
Investments	(775,123)	(6,976,367)
<b>Financing activities:</b>		
Debt repaid	(155,295)	(220,775)
Increase (decrease) in cash	607,632	(5,182,698)
Cash, beginning of year	868,340	6,051,038
Cash, end of year	\$ 1,475,972	\$ 868,340

The accompanying notes are an integral part of these consolidated financial statements.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

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The Corporation of the District of Oak Bay (the "Corporation") 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 consolidated financial statements of the Corporation are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Corporation are as follows:

### (a) Reporting entity:

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

### (i) Consolidated entities

The Corporation 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 11).

### (b) Basis of accounting:

The Corporation 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 Consolidated Financial Statements (continued)

Year ended December 31, 2009

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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:

(i) The Corporation 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 Corporation'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.

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

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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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

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

### (ii) Contributions of tangible capital assets

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

### (iii) 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 Corporation 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 Consolidated Financial Statements (continued)

Year ended December 31, 2009

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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 Canadian generally accepted accounting principles 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 provisions for accrued liabilities and in performing actuarial valuations of employee future benefits.

In addition, the Corporation's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

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.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 2. Change in accounting policy:

The Corporation has implemented PSAB sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. PS 1200 determines that four key figures describe the financial position of governments: cash resources (financial assets); net asset (debt) position (financial assets minus liabilities); non-financial assets available for service provision; and accumulated surplus or deficit. The financial statement format has been changed from prior years to comply with this standard. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction. This change in accounting policy has been applied retroactively and prior periods have been restated.

### Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Corporation applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, indices including the consumer price index were used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

The changes to the amounts reported in the prior period are as follows:

	2009
<b>Accumulated surplus at January 1, 2008:</b>	
Operating fund balance	\$ 3,821,667
Capital fund balance	-
Reserves	12,492,269
Equity in tangible capital assets	84,124,172
Accumulated surplus, as previously reported	100,438,108
Change in tangible capital assets	(43,625,629)
Accumulated surplus, as restated	\$ 56,812,479



# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 2. Change in accounting policy (continued):

	2009
<b>Accumulated surplus for 2008:</b>	
Net revenues, as previously reported	\$ 2,155,417
Assets capitalized but previously expensed	2,142,799
Amortization expense not previously recorded	(1,441,150)
Change in non-financial assets not previously reported as expense	22,997
<b>Annual surplus, as restated</b>	<b>\$ 2,880,063</b>

## 3. Investments:

	2009	2008
Municipal Finance Authority		
Money Market Funds	\$ 23,884,498	\$ 16,724,584
Bankers Acceptances	-	6,384,791
Government of Canada Bonds	963,750	963,750
	<b>\$ 24,848,248</b>	<b>\$ 24,073,125</b>

Investments at December 31, 2009, excluding the Municipal Finance Authority Money Market Fund, have stated interest rates of 9.00% (2008 - 1.45% to 9.00%) with a maturity date of March 1, 2011. The fair value of Government of Canada bonds is estimated at \$1,087,878 (2008 - \$1,164,120). The fair value of other investments approximates the recorded value.

## 4. Deferred revenue:

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

	2009	2008
Gas Tax Agreement Funds balance	\$ 1,325,828	\$ 799,857
Unearned revenues	1,088,194	1,075,565
<b>Total deferred revenue</b>	<b>\$ 2,414,022</b>	<b>\$ 1,875,422</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 4. Deferred revenue (continued):

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 Revenue and Expenses of Gas Tax Agreement Funds

	2009	2008
Opening balance of unspent funds	\$ 799,857	\$ 541,130
Add:		
Amounts received during the year	538,818	272,741
Interest earned	12,638	10,547
	551,456	283,288
Less amount spent on projects and recorded as revenue	(25,485)	(24,561)
Closing balance of unspent funds	\$ 1,325,828	\$ 799,857

## 5. Employee future benefit obligations:

The Corporation 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 Corporation'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, 2009.

Information about liabilities for employee benefit plans is as follows:

	2009	2008
Accrued benefit liability, beginning of year	\$ 1,273,300	\$ 1,219,300
Service cost	89,100	90,900
Interest cost	61,300	55,100
Amortization of net actuarial gain	(13,600)	(8,400)
Benefit payments	(89,200)	(83,600)
Accrued benefit liability, end of year	\$ 1,320,900	\$ 1,273,300

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

The difference between the actuarially accrued benefit obligation of \$1,209,300 (2008 - \$1,122,300) and the accrued benefit liability of \$1,320,900 (2008 - \$1,273,300) is an actuarial net gain of \$111,600 (2008 - gain of \$151,000). This actuarial gain is being amortized over a period equal to the employees' average remaining service lifetime of 11 years.

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

	2009	2008
Discount rates	5.00 %	5.25 %
Expected future inflation rates	2.50 %	2.50 %
Expected wage and salary increases	2.58 to 4.63 %	2.58% to 4.63 %

### Other pension plans

The Corporation 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 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 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, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009, with results available in 2010. The actuary does not attribute portions of the surplus to individual employers. The Corporation paid \$1,474,392 (2008 - \$1,232,423) for employer contributions and Corporation employees paid \$905,236 (2008 - \$923,462) for employee contributions to the plan in fiscal 2009.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

### GVLRA – CUPE Long-Term Disability Trust

The Trust is a multiemployer plan 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. The Corporation and its employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined at December 31, 2009 to be \$10,016,032 with a net surplus of \$1,048,599. The Corporation paid \$40,570 (2008 - \$25,388) for employer contributions and Corporation employees paid \$40,570 (2008 - \$25,653) for employee contributions to the plan in fiscal 2009.

## 6. Long-term debt:

	2009	2008
Debenture debt - Municipal Finance Authority Issue 80 payable at \$142,594 annually; fixed interest payments 4.775% paid semi-annually (\$112,571). Final payment October 3, 2023. Actuarial benefits from the re-investments of principal payments are estimated at \$1,863,124.	\$ 3,745,089	\$ 3,927,079
Capital leases - Municipal Finance Authority payable monthly; payments include interest from 1.25% to 5.25%; terms from 2007 to 2014.	166,269	178,970
<b>Total General Capital Fund debt</b>	<b>\$ 3,911,358</b>	<b>\$ 4,106,049</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 Corporation.

The Corporation issues its debentures through the MFA. Debentures are issued on a sinking fund basis, where the MFA invests the Corporation'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, 2009 is \$4,715,000. The value of the sinking fund as of December 31, 2009 is \$981,736.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 6. Long-term debt (continued):

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

	Minimum lease payments	Estimated principal payments	Total
2010	\$ 71,170	\$ 142,594	\$ 213,764
2011	55,464	142,594	198,058
2012	15,746	142,594	158,340
2013	15,746	142,594	158,340
2014	8,143	142,594	150,737
	\$ 166,269	\$ 712,970	\$ 879,239

- (c) Total interest expense on long-term debt for the year ending December 31, 2009 amounted to \$226,477 (2008 - \$227,354).

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 7. Tangible capital assets:

Cost	Balance December 31, 2008	Additions	Disposals	Balance December 31, 2009
Land	\$ 2,852,877	\$ -	\$ -	\$ 2,852,877
Land improvements	229,670	141,471	(10,124)	361,017
Building and building improvements	20,379,066	123,933	-	20,502,999
Machinery and equipment	1,661,414	312,627	(59,799)	1,914,242
IT equipment	492,901	124,997	(88,658)	529,240
Vehicles	4,368,477	885,639	(417,780)	4,836,336
Roads and drainage	46,054,220	1,763,615	(108,133)	47,709,702
Assets under construction	159,924	140,520	-	300,444
<b>Total</b>	<b>\$ 76,198,549</b>	<b>\$ 3,492,802</b>	<b>\$ (684,494)</b>	<b>\$ 79,006,857</b>

Accumulated amortization	Balance December 31, 2008	Disposals	Amortization expense	Balance December 31, 2009
Land improvements	\$ 26,603	\$ (2,025)	\$ 13,952	\$ 38,530
Building and building improvements	5,580,535	-	369,292	5,949,827
Machinery and equipment	989,392	(54,194)	139,499	1,074,697
IT equipment	290,490	(76,174)	90,182	304,498
Vehicles	1,959,044	(354,555)	249,046	1,853,535
Roads and drainage	22,208,871	(101,284)	670,520	22,778,107
<b>Total</b>	<b>\$ 31,054,935</b>	<b>\$ (588,232)</b>	<b>\$ 1,532,491</b>	<b>\$ 31,999,194</b>

Net book value	December 31, 2008	December 31, 2009
Land	\$ 2,852,877	\$ 2,852,877
Land improvements	203,067	322,487
Building and building improvements	14,798,531	14,553,172
Machinery and equipment	672,022	839,545
IT equipment	202,411	224,742
Vehicles	2,409,433	2,982,801
Roads and drainage	23,845,349	24,931,595
Assets under construction	159,924	300,444
<b>Total</b>	<b>\$ 45,143,614</b>	<b>\$ 47,007,663</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 7. Tangible capital assets (continued):

### (a) Assets under construction

Assets under construction having a value of \$300,444 (2008 - \$159,924) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### (b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution.

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

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

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

The Corporation manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Corporation 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 \$10,000 (2008 - \$nil).

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 8. Accumulated surplus:

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

	2009	2008
<b>Surplus:</b>		
Equity in tangible capital assets	\$ 43,096,305	\$ 41,037,565
Operating Fund	4,885,879	4,237,915
Total surplus	47,982,184	45,275,480
<b>Reserve Funds:</b>		
Village Parking	833,130	879,112
Fire Equipment	194,372	602,386
Land Sale	1,773,732	1,742,422
Machinery and Equipment	1,356,643	1,237,162
Heritage	2,124,022	2,204,399
Tax Sale Property	1,715	1,713
Parks Acquisition	252,236	248,911
Capital Works	8,548,051	7,500,957
Alternative Transportation Infrastructure	53,598	-
Total reserve funds	15,137,499	14,417,062
	\$ 63,119,683	\$ 59,692,542



# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 9. Taxation:

As well as taxes for its own purposes, the Corporation 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.

	2009	2008
<b>Taxes</b>		
Property tax	\$ 31,228,540	\$ 30,207,167
Payments in lieu of taxes	152,607	154,695
Special assessments and local improvements	221,008	201,291
1% Utility tax	114,754	112,780
Waste disposal fees	1,137,753	1,121,010
Penalties and interest	92,333	102,783
	<u>32,946,995</u>	<u>31,899,726</u>
<b>Less taxes levied on behalf of:</b>		
Provincial government - school taxes	9,537,829	9,271,803
Capital Regional District	2,475,605	2,690,752
Telus (CREST) - CRD	74,297	88,717
Provincial Government - Non-residential school	1,025,848	998,752
Capital Regional Hospital District	1,311,269	1,116,329
Municipal Finance Authority	1,122	1,072
BC Assessment Authority	366,804	350,774
BC Transit Authority	966,960	836,280
Business Improvement Area	61,514	62,001
	<u>15,821,248</u>	<u>15,416,480</u>
<b>Net taxes available for municipal purposes</b>	<u>\$ 17,125,747</u>	<u>\$ 16,483,246</u>

## 10. Commitments and contingent liabilities:

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

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

(a) Municipal Finance Authority debt reserve fund deposits:

Under borrowing arrangements with the MFA, the Corporation 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 Corporation'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 Corporation. At December 31, 2009 there were contingent demand notes of \$136,718 (2008 - \$136,718) which are not included in the financial statements of the Corporation.

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

(c) The Corporation 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 Corporation 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 in excess of individual deductibles ranging from \$2,500 to \$100,000 against any member. The Corporation's deductible is \$10,000.

(e) New condominium construction in British Columbia over the last fifteen years has resulted in significant construction deficiencies. Liability for these deficiencies is presently being addressed by the courts. The impact of the courts' decisions and their effect on the Corporation are unknown at this time. The Corporation has received one statement of claim with respect to alleged construction deficiencies. This claim received prior to December 31, 2009 has been reported to the Corporation's insurers. No determination of the Corporation's liability, if any, has been determined and no estimate of potential loss can be made or recorded at this time. Any liability will be recorded when a settlement is likely and the amounts are determinable.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 10. 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 Corporation. 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 Corporation "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 Corporation will pay to the Province 50% of the market value of the property at the time that its use changed. The Corporation has no plans to change the use of Tod House.

## 11. Trust funds:

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

	Heritage House Trust	Legacy Trusts	2009	2008
Financial assets:				
Cash	\$ 11,543	\$ 7,919	\$ 19,462	\$ 15,307
Investments	162,083	568,334	730,417	766,289
Due from operating fund	8,600	-	8,600	10,067
	<u>\$ 182,226</u>	<u>\$ 576,253</u>	<u>\$ 758,479</u>	<u>\$ 791,663</u>

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

The Heritage House Trust was accruing 50% of the net rental income of Tod House. Beginning in 2003 the Trust retained 100% of the net rental income.

The Corporation 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 Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 12. Budget data:

The unaudited budget data presented in these financial statements is based upon the 2009 operating and capital budgets approved by Council on April 27, 2009. Amortization was not contemplated on development of the budget and, as such, has not been included. The following reconciles the approved budget to the budget figures reported in these financial statements.

	Budget amount
Revenues:	
Operating budget	\$ 34,024,661
Less:	
Transfers from other funds	(3,721,132)
Total revenue	30,303,529
Expenses:	
Operating budget	34,024,661
Less:	
Capital expenses	(6,436,512)
Transfer to other funds	(670,719)
Debt principal payments	(192,636)
Total expenses	26,724,794
Annual surplus	\$ 3,578,735

## 13. 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 Corporation'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:

(i) General Government:

The departments within General Government Services 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.

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 13. Segmented information (continued):

### (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 Corporation'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.

### (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 Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 13. Segmented information (continued):

2009	General Government					Sewer Collection Services		Total
	General Government	Protective Services	Transportation Services	Environmental Health	Recreation Services	Water Utility	Sewer Collection Services	
<b>Revenue:</b>								
Taxation	\$ 782,435	\$ 7,689,733	\$ 3,049,035	\$ 1,140,784	\$ 4,463,760	\$ -	\$ -	\$ 17,125,747
Sales and service	100,612	1,504	-	8,737	6,382,633	2,722,904	809,432	10,025,822
Provincial government	917,498	251,846	-	-	-	-	-	1,169,344
Other revenues	1,476,094	507,198	55,802	-	-	-	-	2,039,094
Investment income	359,482	-	-	-	-	-	-	359,482
<b>Total revenue</b>	<b>3,636,121</b>	<b>8,450,281</b>	<b>3,104,837</b>	<b>1,149,521</b>	<b>10,846,393</b>	<b>2,722,904</b>	<b>809,432</b>	<b>30,719,489</b>
<b>Expenses:</b>								
Salaries and wages	1,105,107	6,438,532	1,481,642	289,591	6,836,323	481,338	235,476	16,868,009
Materials, supplies and services	1,854,250	865,524	694,464	542,894	2,714,803	1,796,842	196,594	8,665,371
Interest and other	-	-	-	-	226,477	-	-	226,477
Amortization	71,083	114,525	474,635	141,486	469,906	187,359	73,497	1,532,491
<b>Total expenses</b>	<b>3,030,440</b>	<b>7,418,581</b>	<b>2,650,741</b>	<b>973,971</b>	<b>10,247,509</b>	<b>2,465,539</b>	<b>505,567</b>	<b>27,292,348</b>
<b>Annual surplus</b>	<b>\$ 605,681</b>	<b>\$ 1,031,700</b>	<b>\$ 454,096</b>	<b>\$ 175,550</b>	<b>\$ 598,884</b>	<b>\$ 257,365</b>	<b>\$ 303,865</b>	<b>\$ 3,427,141</b>

# THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 13. Segmented information (continued):

2008	General Government	Protective Services	Transportation Services	Environmental Health	Recreation Services	Water Utility	Sewer Collection Services	Total
<b>Revenue:</b>								
Taxation	\$ 1,207,057	\$ 7,009,857	\$ 3,068,905	\$ 1,122,548	\$ 4,074,879	\$ -	\$ -	\$ 16,483,246
Sales and service	69,402	3,669	-	8,528	6,162,495	2,528,759	664,672	9,437,525
Provincial government	209,234	251,846	-	-	-	-	2,148	463,228
Other revenues	1,284,736	520,351	43,312	-	-	-	-	1,848,399
Investment income	827,149	-	-	-	-	-	-	827,149
<b>Total revenue</b>	<b>3,597,578</b>	<b>7,785,723</b>	<b>3,112,217</b>	<b>1,131,076</b>	<b>10,237,374</b>	<b>2,528,759</b>	<b>666,820</b>	<b>29,059,547</b>
<b>Expenses:</b>								
Salaries and wages	1,062,697	6,000,772	1,426,443	291,290	6,609,576	389,748	281,938	16,062,464
Materials, supplies and services	1,944,453	916,487	659,065	562,404	2,674,821	1,573,238	118,049	8,448,517
Interest and other	-	-	-	-	227,353	-	-	227,353
Amortization	35,859	298,818	573,730	107,574	179,291	176,932	68,946	1,441,150
<b>Total expenses</b>	<b>3,043,009</b>	<b>7,216,077</b>	<b>2,659,238</b>	<b>961,268</b>	<b>9,691,041</b>	<b>2,139,918</b>	<b>468,933</b>	<b>26,179,484</b>
<b>Annual surplus</b>	<b>\$ 554,569</b>	<b>\$ 569,646</b>	<b>\$ 452,979</b>	<b>\$ 169,808</b>	<b>\$ 546,333</b>	<b>\$ 388,841</b>	<b>\$ 197,887</b>	<b>\$ 2,880,063</b>

**THE CORPORATION OF THE DISTRICT OF OAK BAY  
GENERAL INFORMATION  
(UNAUDITED)**

	<b>2009</b>	<b>2008</b>
<b>ASSESSMENTS TAXABLE</b>		
<b>Schools</b>		
Residential	\$ 5,276,803,600	\$ 5,257,018,280
Non-residential	143,901,809	143,908,809
	\$ 5,420,705,409	\$ 5,400,927,089
<b>General</b>		
Residential	\$ 5,276,803,600	\$ 5,257,018,280
Business	108,020,300	107,948,300
Recreational/non-profit	23,199,000	23,199,000
Farm	7,018	7,018
	\$ 5,408,029,918	\$ 5,388,172,598

**TAX RATE [ \$ PER 1,000 OF ASSESSED VALUE ]**

	Residential \$	Business \$	Recreational/ non-profit \$	Farm \$
General	2.7243	4.8765	3.9230	3,416.3812
Debt	0.0819	0.1466	0.1179	102.7059
Residential school	1.8075	-	-	-
Non-residentials schools	-	7.0000	3.7000	6.9000
Regional District	0.4491	0.8039	0.6467	563.1894
Regional Hospital	0.2341	0.5735	0.2341	0.2341
Transit Authority	0.1641	0.8205	0.1641	0.1641
Finance Authority	0.0002	0.0005	0.0002	0.0002
BC Assessment	0.0641	0.2026	0.0641	0.0064
	5.5253	14.4241	8.8501	4,089.5813

Water services	5,846	Population [2006]	17,908
Fire hydrants	459	Voters on voters list	14,074
Total area	1,031 ha	Streets paved	108 km
Taxable areas	793 ha	Total pipes - mains	367 km
Parks	39 ha	Watermains	120 km
Roadways	186 ha	Storm sewers	142 km
Other areas	13 ha	Sanitary sewers	105 km