

Financial Statements of

**GREATER VICTORIA
HARBOUR AUTHORITY**

Year ended March 31, 2010



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AUDITORS' REPORT

To the Members of Greater Victoria Harbour Authority

We have audited the statement of financial position of Greater Victoria Harbour Authority (the "Authority") as at March 31, 2010 and the statements of operations and changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority'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 financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required under the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants

Victoria, Canada

June 2, 2010

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	\$ 4,308,054	\$ 4,344,746
Guaranteed investment certificates (note 2)	4,609,575	5,063,054
Accounts receivable	1,060,101	151,363
Prepaid expenses	81,926	16,738
	<u>10,059,656</u>	<u>9,575,901</u>
Investments (note 3)	1,405,938	983,922
Capital assets (note 4)	55,134,091	54,118,972
	<u>\$ 66,599,685</u>	<u>\$ 64,678,795</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 906,839	\$ 937,855
Deferred revenue	91,079	99,919
	<u>997,918</u>	<u>1,037,774</u>
Deferred contributions (note 5)	956,329	1,031,086
Deferred capital contributions (note 6)	26,909,008	27,011,082
Net assets:		
Invested in capital assets	28,225,083	27,107,890
Internally restricted self-insurance fund (notes 3 and 7)	1,405,938	983,922
Unrestricted	8,105,409	7,507,041
	<u>37,736,430</u>	<u>35,598,853</u>
	<u>\$ 66,599,685</u>	<u>\$ 64,678,795</u>

See accompanying notes to financial statements.

Approved by the Board:

_____ Director

_____ Director

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Operations and Changes in Unrestricted Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Revenues:		
Shipping	\$ 3,285,119	\$ 2,690,640
Marinas and attractions	1,628,370	1,780,615
Property services	988,910	729,894
Marine transportation	210,000	148,048
	<u>6,112,399</u>	<u>5,349,197</u>
Expenses:		
General operating expenses	1,361,961	1,163,448
Repairs and maintenance	522,810	739,466
Insurance	148,302	146,021
Property taxes	661,592	618,301
Administrative	1,170,947	1,339,462
Depreciation of capital assets	1,538,044	1,370,055
	<u>5,403,656</u>	<u>5,376,753</u>
Excess (deficiency) of revenues over expenses before the following	708,743	(27,556)
Deferred non-capital contributions recognized as revenue (note 5)	74,757	543,445
Deferred capital contributions recognized as revenue (note 6)	960,552	961,392
	<u>1,744,052</u>	<u>1,477,281</u>
Excess of revenues over expenses before investment income	1,744,052	1,477,281
Investment income	393,525	150,786
	<u>2,137,577</u>	<u>1,628,067</u>
Excess of revenues over expenses	2,137,577	1,628,067
Unrestricted net assets, beginning of year	7,507,041	7,128,818
Transfer (to) from invested in capital assets:		
Purchase of capital assets	(1,694,685)	(1,689,030)
Depreciation of capital assets contributed from Harbour Authority general operations	577,492	408,663
Transfer (to) from internally restricted self insurance fund	(422,016)	30,523
Unrestricted net assets, end of year	\$ 8,105,409	\$ 7,507,041

GREATER VICTORIA HARBOUR AUTHORITY

Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 2,137,577	\$ 1,628,067
Items not involving cash:		
Amortization of deferred contributions	(74,757)	(543,445)
Amortization of deferred capital contributions	(960,552)	(961,392)
Depreciation of capital assets	1,538,044	1,370,054
Unrealized (gain) loss on investments	(254,016)	166,942
Net change in non-cash working capital:		
Decrease (increase) in accrued interest on guaranteed investment certificates	(56,521)	140,542
Decrease (increase) in accounts receivable	(908,738)	81,836
Decrease (increase) in prepaid expenses	(65,188)	82,376
Increase (decrease) in accounts payable and accrued liabilities	(31,016)	274,967
Increase (decrease) in deferred revenue	(8,840)	27,570
	<u>1,315,993</u>	<u>2,267,517</u>
Financing activities:		
Deferred capital contributions	858,478	-
Investing activities:		
Purchase of capital assets	(562,084)	(92,370)
Capital assets under construction	(1,991,079)	(1,596,660)
Purchase of investments	(168,000)	(168,000)
Guaranteed investment certificates matured	5,010,000	4,490,000
Purchase of guaranteed investment certificates	(4,500,000)	(1,675,000)
	<u>(2,211,163)</u>	<u>957,970</u>
Increase (decrease) in cash	(36,692)	3,225,487
Cash, beginning of year	4,344,746	1,119,259
Cash, end of year	\$ 4,308,054	\$ 4,344,746

See accompanying notes to financial statements.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2010

Greater Victoria Harbour Authority (the "Authority") is incorporated under the Society Act (British Columbia). Its principal activity is to manage and develop the Victoria and Esquimalt harbours to meet local, Esquimalt Nation, Songhees Nation, municipal, provincial and federal interests and priorities.

On April 9, 2002 Transport Canada contributed lands and improvements at Erie Street, Wharf Street and Ship Point and a cash contribution for eligible expenditures over the next 10 years. Similar contributions were received for Ogden Point on June 26, 2002. The contributions are subject to various operating and capital restrictions including continued use as a port facility.

The land and improvements were transferred to the Authority at a nominal value of \$1. The assets were recorded at an estimated fair market value of \$50,481,120, as determined by the BC Assessment Authority through their annual valuation and assessment process.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(a) Revenue recognition:

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions of capital assets that will be amortized are initially deferred and subsequently recognized as revenue on the same basis as the related costs are amortized. Contributions for capital assets that will not be amortized, such as land, are not recorded as deferred capital contributions or recognized as revenue, but are recorded as a direct increase in net assets in the period the asset is received.

Revenue from operations is recognized as services are performed. Amounts received for future services are deferred until the service is provided.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2010

1. Significant accounting policies (continued):

(b) Financial instruments:

The Authority initially records all financial assets and liabilities at fair value.

- Cash, guaranteed investment certificates and investments are classified as held for trading and are measured at fair value with changes in fair value recognized in the statement of operations.
- Accounts receivable and accounts payable and accrued liabilities are measured at amortized cost.

The Authority has elected to defer applying the Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections 3862, *Financial Instruments – Disclosures* and 3863, *Financial Instruments – Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Authority has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

(c) Investment income:

Investment income, which is recorded on the accrual basis, includes interest income, dividends, net gain on sale of securities and unrealized gains (losses).

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their estimated fair market value determined at the date of contribution.

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Notes to Financial Statements

Year ended March 31, 2010

1. Significant accounting policies (continued):

(d) Capital assets (continued):

Depreciation is provided on a straight-line basis over their estimated useful life at the following amortization periods:

Asset	Amortization period
Breakwater and piers	50 years
Wharves and docks:	
Refurbished existing	10 - 15 years
New construction	20 - 25 years
Buildings	3 - 50 years
Yard improvements	5 - 10 years
Furniture and fixtures	5 years
Office and maintenance equipment	2 - 7 years
Boats, marine and automotive	3 - 5 years

Depreciation is not provided on capital assets under construction until the assets are in use.

(e) Asset retirement obligations:

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the asset. At this time, the Authority has determined that there are no significant asset retirement obligations.

(f) Measurement uncertainty:

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. The more subjective of such estimates are the amortization period of capital assets. Actual results could differ from these estimates.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2010

1. Significant accounting policies (continued):

(g) Adoption of new accounting standards:

(i) Amendments to Section 1000, *Financial Statement Concepts*:

Effective April 1, 2009 the Authority adopted the CICA amendments to Section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

(ii) Revisions to Not-for-Profit accounting standards:

Effective April 1, 2009 the Authority adopted the new and amended not-for-profit standards: CICA HB 1540, Cash Flow Statements; CICA HB 4400, Financial Statement Presentation by Not-For-Profit Organizations; CICA HB 4460, Disclosure of Related Party Transactions by Not-For-Profit Organizations; and, CICA HB 4470, Disclosure of Allocated Expenses by Not-For-Profit Organizations. The new and amended standards:

- eliminate the requirement to show invested in capital assets as a separate component of net assets;
- require not-for-profit organizations to recognize and present revenue and expenses on a gross basis, if the not-for-profit is acting as a principal in the transactions.

The Authority has elected to continue to disclose net assets invested in capital assets. The adoption of these amendments did not have a significant effect on these financial statements.

2. Guaranteed investment certificates:

	2010	2009
Short-term certificates	\$ 4,609,575	\$ 5,063,054

Guaranteed investment certificates, at rates of interest of 1.00% and maturing within one year, include an amount of \$956,329 (2009 - \$1,031,086) which is restricted for Ogden Point caisson repairs under the contribution agreements with Transport Canada.

GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2010

3. Investments:

Investments represent funds invested for the internally restricted self-insurance fund. The major components of investments stated at market value are as follows:

	2010	2009
Fixed income	\$ 727,232	\$ 508,592
Canadian equity	306,961	238,274
US equity	150,975	109,529
International equity	141,966	90,450
Real estate	78,804	37,077
	\$ 1,405,938	\$ 983,922

4. Capital assets:

	Cost	Accumulated depreciation	2010 Net book value	2009 Net book value
Land	\$ 19,563,855	\$ -	\$ 19,563,855	\$ 19,563,855
Breakwater and piers	28,046,528	4,284,481	23,762,047	23,782,112
Wharves and docks	6,309,186	2,599,884	3,709,302	3,780,749
Buildings and yard improvements	7,510,419	2,046,632	5,463,787	5,469,301
Furniture and fixtures	43,804	37,914	5,890	12,442
Office and maintenance equipment	110,292	78,276	32,016	53,783
Boats, marine and automotive	94,351	52,761	41,590	43,201
Capital assets under construction	2,555,604	-	2,555,604	1,413,529
	\$ 64,234,039	\$ 9,099,948	\$ 55,134,091	\$ 54,118,972

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Notes to Financial Statements

Year ended March 31, 2010

5. Deferred contributions:

Deferred contributions received from Transport Canada are to be expended on eligible expenditures, as outlined in the Contribution Agreement for each facility. Until expended on eligible expenditures, the contributions are restricted. Any amounts not expended by March 27, 2012 are repayable to the federal government. The Project Contribution agreement, and repayment date, for Ogden Point was extended until June 24, 2017.

	Balance March 31, 2009	Amounts recognized as revenue	Balance March 31, 2010
Special projects:			
Ogden Point - pier upgrades	\$ 1,031,086	\$ 74,757	\$ 956,329

6. Deferred capital contributions:

Deferred capital contributions represent unamortized capital contributions received from Transport Canada and other federal and provincial contributions.

	Balance March 31, 2009	Amounts amortized to revenue	Amounts received	Balance March 31, 2010
Transport Canada:				
Erie Street	\$ 275,420	\$ 59,655	\$ -	\$ 215,765
Wharf Street	665,708	83,208	-	582,500
Ship Point	975,099	136,140	-	838,959
Ogden Point	23,460,619	551,490	-	22,909,129
Ogden Point - pier upgrades	1,634,236	130,059	-	1,504,177
	27,011,082	960,552	-	26,050,530
Other federal and provincial contributions:				
Ogden Point	-	-	858,478	858,478
Total deferred capital contributions	\$27,011,082	\$ 960,552	\$ 858,478	\$26,909,008

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Notes to Financial Statements

Year ended March 31, 2010

7. Internally restricted net assets:

Internally restricted assets are for self-insurance on the breakwater, piers, parking lot and lamp stands at Ogden Point. These internally restricted amounts are not available for other purposes without the approval of the Board of Directors.

8. Board of directors' fees:

For purposes of director's fees, as per amendment to Special Resolution 14.04.04, CAM-Sec 4.4, annual director's fees shall not exceed 5% of the previous year's gross revenues. The total fees paid in the fiscal year amounted to \$83,700 which represented 1.6% of the previous year's gross revenues (2009 - \$59,000, 1.2%).

9. Financial instruments:

(a) Fair value

The Authority's cash, guaranteed investment certificates and investments are carried at fair value. The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

(b) Foreign currency risk

The Authority holds investments in equities outside of Canada which are subject to foreign exchange risk (note 3).

(c) Interest rate risk

The Authority's exposure to interest rate risk relates to its investments in fixed income funds. The fair value of these funds is directly impacted by changes in interest rates.

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Notes to Financial Statements

Year ended March 31, 2010

9. Financial instruments (continued):

(d) Credit risk

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. For cash, guaranteed investment certificates, investments and accounts receivable the Authority's credit risk is limited to the carrying value on the balance sheet.

The Authority manages the risk associated with the concentration of credit risk through its policy of dealing with high credit quality financial institutions.

10. Capital management:

The Authority receives its principal source of capital through revenues generated from its capital facilities. The Authority defines capital to be net assets.

The Authority's objective when managing capital is to fund its operations and capital asset additions. The Authority manages the capital structure based on economic conditions. Currently, the Authority's strategy is to monitor expenses to preserve capital in accordance with budgeted revenues.

The Authority is not subject to debt covenants or any other capital requirements with respect to operating funding. Revenues received for designated purposes must be used for the purpose designated. The Authority has complied with the external restrictions on revenues provided.