

Audited Financial Statements of

**THE GREATER VICTORIA
HARBOUR AUTHORITY**

Year ended March 31, 2007



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AUDITORS' REPORT

To the Members of The Greater Victoria Harbour Authority

We have audited the statement of financial position of The Greater Victoria Harbour Authority (the "Authority") as at March 31, 2007 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, 2007 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 8, 2007

THE GREATER VICTORIA HARBOUR AUTHORITY

Statement of Financial Position

March 31, 2007, with comparative figures for 2006



	2007	2006
Assets		
Current assets:		
Cash	\$ 217,725	\$ 360,658
Guaranteed investment certificates (note 2)	10,262,000	7,518,000
Accounts receivable	145,183	132,926
Accrued interest receivable	268,467	77,099
Prepaid expenses	24,771	3,059
	<u>10,918,146</u>	<u>8,091,742</u>
Long-term receivable	-	137,500
Guaranteed investment certificates	-	2,610,000
Investments (note 3)	792,000	489,741
Capital assets (note 4)	52,065,479	51,403,017
	<u>\$ 63,775,625</u>	<u>\$ 62,732,000</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 733,458	\$ 420,171
Deferred revenue	69,400	101,574
	<u>802,858</u>	<u>521,745</u>
Deferred contributions (note 5)	2,796,518	3,508,141
Deferred capital contributions (note 6)	28,933,866	29,911,636
Net assets:		
Invested in capital assets	23,131,613	21,491,381
Internally restricted self-insurance fund (notes 3 and 7)	792,000	624,000
Unrestricted	7,318,770	6,675,097
	<u>31,242,383</u>	<u>28,790,478</u>
Commitments and contingencies (note 9)		
	<u>\$ 63,775,625</u>	<u>\$ 62,732,000</u>

See accompanying notes to financial statements.

Approved by the Board

 Director
 Director

THE GREATER VICTORIA HARBOUR AUTHORITY

Statement of Operations and Changes in Unrestricted Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	Erie Street	Wharf Street	Ship Point	Ogden Point and Pier Upgrades	2007 Total	2006 Total
Revenues	\$ 737,213	\$ 339,173	\$ 621,948	\$ 2,730,653	\$ 4,428,987	\$ 3,725,956
Expenses:						
General operating expenses	254,756	196,458	284,068	145,758	881,040	749,684
Repairs and maintenance	68,143	35,072	175,689	110,189	389,093	253,054
Insurance	50,631	37,277	36,831	57,694	182,433	145,720
Property taxes	31,542	18,306	18,777	392,902	461,527	529,144
Administrative	223,314	154,694	283,506	366,327	1,027,841	965,733
Depreciation of capital assets	88,995	100,181	191,091	755,496	1,135,763	1,067,443
	717,381	541,988	989,962	1,828,366	4,077,697	3,710,778
Excess (deficiency) of revenues over expenses before the following	19,832	(202,815)	(368,014)	902,287	351,290	15,178
Investment income	60,083	28,431	56,276	266,439	411,229	378,693
Amortization of deferred non-capital contributions (note 5)	24,877	-	686,748	-	711,623	1,216,805
Amortization of deferred capital contributions (note 6)	62,405	83,213	139,983	692,169	977,770	994,218
Excess (deficiency) of revenues over expenses	167,197	(91,171)	514,991	1,860,895	2,451,912	2,604,894
Transfer (to) from invested in capital assets:						
Purchase of capital assets	(968,628)	(143,541)	(268,640)	(417,423)	(1,798,232)	(1,059,586)
Depreciation of capital assets contributed from Harbour Authority general operations	26,590	16,968	51,108	63,327	157,993	73,225
Internal restriction of net assets	-	-	-	(168,000)	(168,000)	(168,000)
Unrestricted net assets, beginning of year	1,900,537	709,511	8,778	4,056,271	6,675,097	5,224,564
Unrestricted net assets, end of year	\$ 1,125,696	\$ 491,767	\$ 306,237	\$ 5,395,070	\$ 7,318,770	\$ 6,675,097

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Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 2,451,912	\$ 2,604,894
Items not involving cash:		
Amortization of deferred contributions	(711,623)	(1,216,805)
Amortization of deferred capital contributions	(977,770)	(994,218)
Depreciation of capital assets	1,135,763	1,067,443
Net change in non-cash working capital:		
Decrease (increase) in accounts receivable	(12,257)	205,865
Decrease (increase) in accrued interest receivable	(191,368)	46,867
Increase in prepaid expenses	(21,712)	(1,012)
Decrease in long-term receivable	137,500	-
Increase (decrease) in accounts payable and accrued liabilities	313,288	(192,502)
Increase (decrease) in deferred revenue	(32,174)	43,438
	2,091,559	1,563,970
Investing activities:		
Purchase of capital assets	(1,566,352)	(47,815)
Capital assets under construction	(231,881)	(1,011,771)
Purchase of investments	(302,259)	(489,741)
Guaranteed investment certificates matured	1,616,000	215,000
Purchase of guaranteed investment certificates	(1,750,000)	-
	(2,234,492)	(1,334,327)
Increase (decrease) in cash	(142,933)	229,643
Cash, beginning of year	360,658	131,015
Cash, end of year	\$ 217,725	\$ 360,658

See accompanying notes to financial statements.

THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2007

The 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 and include the following significant accounting policies:

(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.

(b) Investments:

Investments are recorded at cost. Adjustments are made for reductions in market value considered to be other than temporary.

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Notes to Financial Statements

Year ended March 31, 2007

1. Significant accounting policies (continued):

(c) Capital assets:

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

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	10 - 15 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.

(d) 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.

(e) Comparative figures:

Certain of the prior year figures have been reclassified to conform with the current year's presentation.

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Notes to Financial Statements

Year ended March 31, 2007

2. Guaranteed investment certificates:

	2007	2006
Short-term certificates	\$ 10,262,000	\$ 7,518,000
Long-term certificates	-	2,610,000
	\$ 10,262,000	\$ 10,128,000

Guaranteed investment certificates, at rates of interest varying between 2.90% and 4.55%, include an amount of \$2,796,519 (2006 - \$3,508,141) which is restricted for eligible expenditures under the contribution agreements with Transport Canada.

3. Investments:

The major components of investments are as follows:

	2007	2006
Fixed income	\$ 396,000	\$ 244,870
Canadian equity	198,000	122,436
US equity	79,200	48,974
International equity	79,200	48,974
Real estate	39,600	24,487
	\$ 792,000	\$ 489,741

The market value of the investments as of March 31, 2007 was approximately \$880,000 (2006 - \$490,000).

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Notes to Financial Statements

Year ended March 31, 2007

4. Capital assets:

	Cost	Accumulated depreciation	2007 Net book value	2006 Net book value
Land	\$ 19,563,859	\$ -	\$ 19,563,859	\$ 19,563,859
Breakwater and piers	26,298,239	2,458,051	23,840,188	24,366,153
Wharves and docks	4,540,773	1,432,542	3,108,231	2,657,844
Buildings and yard improvements	5,230,564	1,014,683	4,215,881	3,383,703
Furniture and fixtures	36,422	16,345	20,077	15,732
Office and maintenance equipment	55,521	21,281	34,240	10,377
Boats, marine and automotive	48,202	8,851	39,351	22,850
Capital assets under construction	1,243,652	-	1,243,652	1,382,499
	\$ 57,017,232	\$ 4,951,753	\$ 52,065,479	\$ 51,403,017

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.

	Balance March 31, 2006	Amounts amortized to revenue	Balance March 31, 2007
Maintenance:			
Erie Street	\$ 24,877	\$ 24,877	\$ -
Ship Point	871,128	686,746	184,382
Special projects:			
Ogden Point - Pier Upgrades	2,612,136	-	2,612,136
	\$ 3,508,141	\$ 711,623	\$ 2,796,518

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6. Deferred capital contributions:

Deferred capital contributions represent unamortized capital contributions received from Transport Canada.

	Balance March 31, 2006	Amounts amortized to revenue	Balance March 31, 2007
Erie Street	\$ 458,799	\$ 62,405	\$ 396,394
Wharf Street	915,347	83,213	832,134
Ship Point	1,387,368	139,983	1,247,385
Ogden Point	25,125,709	562,110	24,563,599
Ogden Point - Pier Upgrades	2,024,413	130,059	1,894,354
	<u>\$ 29,911,636</u>	<u>\$ 977,770</u>	<u>\$ 28,933,866</u>

7. Internally restricted net assets:

Internally restricted assets are for self-insurance on the 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 honoraria:

For purposes of director's honoraria, as per amendment to Special Resolution 14.04.04, CAM-Sec 4.4, annual director's remunerations shall not exceed 5% of the previous year's gross revenues. The total honoraria paid in the fiscal year amounted to \$79,150 which represented 2.1% of the previous year's gross revenues.

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Notes to Financial Statements

Year ended March 31, 2007

9. Commitments and contingencies:

- (i) The Authority rents office premises and equipment under operating leases with minimum aggregate rent payable as follows:

	Building	Equipment	Total
2008	\$ 47,500	\$ 9,000	\$ 56,500
2009	-	9,000	9,000
	\$ 47,500	\$ 18,000	\$ 65,500

The annual lease payments are inclusive of operating costs and property tax payments which are subject to escalation clauses.

- (ii) As at March 31, 2007, the Authority had \$11,300 of financial stand-by letters of guarantee outstanding for deposits with Fisheries and Oceans Canada in respect to a Monitoring Program of underwater habitat at Ogden Point. The letters of guarantee have a due date of September 15, 2009.

10. Fair value of financial assets and liabilities:

The carrying value of the Authority's cash, guaranteed investment certificates, accounts receivable, accrued interest receivable, and accounts payable and accrued liabilities approximate their fair value. The fair value of the Authority's investments is disclosed in note 3.