

Financial Statements of

**THE GREATER VICTORIA
HARBOUR AUTHORITY**

Year ended March 31, 2008



KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

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, 2008 and the statements of operations, 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, 2008 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, except for the change in accounting for financial instruments as explained in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Chartered Accountants

Victoria, Canada

June 6, 2008

THE GREATER VICTORIA HARBOUR AUTHORITY

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

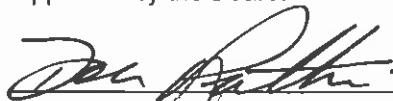
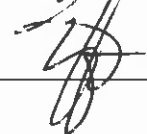
	2008	2007
Assets		
Current assets:		
Cash	\$ 1,119,259	\$ 217,725
Guaranteed investment certificates (note 3)	7,987,015	10,530,467
Accounts receivable	233,199	145,183
Prepaid expenses	99,114	24,771
	<u>9,438,587</u>	<u>10,918,146</u>
Investments (note 4)	1,014,445	792,000
Capital assets (note 5)	53,799,996	52,065,479
	<u>\$ 64,253,028</u>	<u>\$ 63,775,625</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 662,889	\$ 733,458
Deferred revenue	72,349	69,400
	<u>735,238</u>	<u>802,858</u>
Deferred contributions (note 6)	1,574,531	2,796,518
Deferred capital contributions (note 7)	27,972,474	28,933,866
Net assets:		
Invested in capital assets	25,827,522	23,131,613
Internally restricted self-insurance fund (note 8)	1,014,445	792,000
Unrestricted	7,128,818	7,318,770
	<u>33,970,785</u>	<u>31,242,383</u>
Commitments and contingencies (note 10)		
	<u>\$ 64,253,028</u>	<u>\$ 63,775,625</u>

See accompanying notes to financial statements.

Approved by the Board:

 Director
 Director

THE GREATER VICTORIA HARBOUR AUTHORITY

Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenues:		
Shipping	\$ 2,366,462	\$ 2,431,689
Marinas and attractions	1,442,066	1,343,358
Property services	854,219	601,889
Marine transportation	82,643	52,051
	<u>4,745,390</u>	<u>4,428,987</u>
Expenses:		
General operating expenses	1,097,300	881,040
Repairs and maintenance	383,345	389,093
Insurance	220,554	182,433
Property taxes	536,728	461,527
Administrative	1,230,047	1,027,841
Depreciation of capital assets	1,240,099	1,135,763
	<u>4,708,073</u>	<u>4,077,697</u>
Excess of revenues over expenses before the following	37,317	351,290
Amortization of deferred contributions (note 6)	1,221,987	711,623
Amortization of deferred capital contributions (note 7)	961,392	977,770
Excess of revenues over expenses before investment income	<u>2,220,696</u>	<u>2,040,683</u>
Investment income	416,634	411,229
Excess of revenues over expenses	<u>\$ 2,637,330</u>	<u>\$ 2,451,912</u>

See accompanying notes to financial statements.

THE GREATER VICTORIA HARBOUR AUTHORITY

Statement of Changes in Unrestricted Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Unrestricted net assets, beginning of year	\$ 7,318,770	\$ 6,675,097
Impact of change in accounting policy (note 2)	91,072	-
Excess of revenues over expenses	2,637,330	2,451,912
Transfer (to) from invested in capital assets:		
Purchase of capital assets	(2,974,616)	(1,798,232)
Depreciation of capital assets contributed from Harbour Authority general operations	278,707	157,993
Internal restriction of net assets	(222,445)	(168,000)
Unrestricted net assets, end of year	\$ 7,128,818	\$ 7,318,770

See accompanying notes to financial statements.

THE GREATER VICTORIA HARBOUR AUTHORITY

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 2,637,330	\$ 2,451,912
Items not involving cash:		
Amortization of deferred contributions	(1,221,987)	(711,623)
Amortization of deferred capital contributions	(961,392)	(977,770)
Depreciation of capital assets	1,240,099	1,135,763
Unrealized loss on securities	36,627	-
Decrease (increase) in accrued interest	106,452	(191,368)
Net changes in non-cash working capital:		
Increase in accounts receivable	(88,016)	(12,257)
Increase in prepaid expenses	(74,343)	(21,712)
Decrease in long-term receivable	-	137,500
Increase (decrease) in accounts payable and accrued liabilities	(70,569)	313,288
Increase (decrease) in deferred revenue	2,949	(32,174)
	1,607,150	2,091,559
Investing activities:		
Purchase of capital assets	(2,364,734)	(1,566,352)
Capital assets under construction	(609,882)	(231,881)
Purchase of investments	(168,000)	(302,259)
Guaranteed investment certificates matured	3,437,000	1,616,000
Purchase of guaranteed investment certificates	(1,000,000)	(1,750,000)
	(705,616)	(2,234,492)
Increase (decrease) in cash	901,534	(142,933)
Cash, beginning of year	217,725	360,658
Cash, end of year	\$ 1,119,259	\$ 217,725

See accompanying notes to financial statements.

THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

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.

(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.

THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(b) Investments:

Effective April 1, 2007, investments are classified as held for trading, and stated at fair value (note 2). The change in the difference between the fair value and the cost of investments at the beginning and end of each year is reflected in the statement of operations. Fair values of investments are determined as follows:

Fixed income securities and equities are valued at year-end quoted market prices where available. Short-term notes, treasury bills and term deposits maturing within one year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

(c) Guaranteed investment certificates:

Effective April 1, 2007, guaranteed investment certificates are classified as held for trading and stated at fair value (note 2).

(d) 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).

(e) 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 on capital assets under construction commences when the assets are put into use.

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Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(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.

(g) 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.

(h) Comparative figures:

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

(i) Future accounting changes:

Commencing with the fiscal year beginning April 1, 2008, the Authority will be adopting CICA Handbook Section 3862, *Financial Instruments - Disclosure*, HB 3863, *Financial Instruments - Presentation*, and HB 1535, *Capital Disclosures*. The impact of the adoption of these standards has not been determined.

2. Change in accounting policy:

Effective April 1, 2007, the Authority adopted the CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement* and related sections. The Authority has designated all of its investments and guaranteed investment certificates as held for trading, and carries them at fair value with changes in fair value recognized in investment income. Accounts receivable are classified as loans and receivables; accounts payable and accrued liabilities are classified as other liabilities, all of which are measured at amortized cost. The impact of this change is to adjust unrestricted net assets as at April 1, 2007 for the net unrealized gain in investments of \$91,072, and to recognize as investment income in the current year, net unrealized losses of \$36,627.

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Notes to Financial Statements

Year ended March 31, 2008

3. Guaranteed investment certificates:

	2008 Fair value	2007 Cost
Short-term certificates	\$ 7,987,015	\$10,530,467

The fair value of the guaranteed investment certificates approximated cost at March 31, 2007.

Guaranteed investment certificates have rates of interest varying between 3.95% and 5.15% and include an amount of \$1,574,530 (2007 - \$2,796,519) which is restricted for eligible expenditures under the contribution agreements with Transport Canada. These investments mature at various dates between April and November 2008.

4. Investments:

The major components of investments are as follows:

	2008 Fair value	2007 Cost
Fixed income	\$ 453,457	\$ 396,000
Canadian equity	303,319	198,000
US equity	101,445	79,200
International equity	104,488	79,200
Real estate	51,736	39,600
	\$ 1,014,445	\$ 792,000

The fair value of the investments at March 31, 2007 was \$883,072.

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Notes to Financial Statements

Year ended March 31, 2008

5. Capital assets:

	Cost	Accumulated depreciation	2008 Net book value	2007 Net book value
Land	\$19,563,859	\$ -	\$19,563,859	\$19,563,859
Breakwater and piers	27,403,868	2,984,016	24,419,852	23,840,188
Wharves and docks	5,085,170	1,783,649	3,301,521	3,108,231
Buildings and yard improvements	5,856,175	1,343,998	4,512,177	4,215,881
Furniture and fixtures	43,804	24,211	19,593	20,077
Office and maintenance equipment	105,638	35,737	69,901	34,240
Boats, marine and automotive	79,798	20,239	59,559	39,351
Capital assets under construction	1,853,534	-	1,853,534	1,243,652
	\$59,991,846	\$ 6,191,850	\$53,799,996	\$52,065,479

6. Deferred contributions:

Deferred contributions received from Transport Canada are to be expended 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, 2007	Amounts amortized to revenue	Balance March 31, 2008
Maintenance:			
Ship Point	\$ 184,382	\$ 184,382	\$ -
Special projects:			
Ogden Point - Pier Upgrades	2,612,136	1,037,605	1,574,531
	\$ 2,796,518	\$ 1,221,987	\$ 1,574,531

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Notes to Financial Statements

Year ended March 31, 2008

7. Deferred capital contributions:

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

	Balance March 31, 2007	Amounts amortized to revenue	Balance March 31, 2008
Erie Street	\$ 396,394	\$ 60,487	\$ 335,907
Wharf Street	832,134	83,213	748,921
Ship Point	1,247,385	136,143	1,111,242
Ogden Point	24,563,599	551,490	24,012,109
Ogden Point - Pier Upgrades	1,894,354	130,059	1,764,295
	<u>\$ 28,933,866</u>	<u>\$ 961,392</u>	<u>\$ 27,972,474</u>

8. 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.

9. Board directors' fees:

As per the Authority's incorporation documents, annual directors' fees shall not exceed 5% of the previous year's gross revenues. The total fees paid in the fiscal year amounted to \$70,150 which represented 1.6% of the previous year's gross revenues.

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Notes to Financial Statements

Year ended March 31, 2008

10. Commitments and contingencies:

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

	Building	Equipment	Total
2009	\$ 77,617	\$ 9,300	\$ 86,917
2010	77,617	9,300	86,917
	\$ 155,234	\$ 18,600	\$ 173,834

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

- (ii) As at March 31, 2008, the Authority had \$11,100 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 letter of guarantee has a due date of September 15, 2009.

11. Fair value of financial assets and liabilities:

The carrying value of the Authority's cash, 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. The Authority's investments and guaranteed investment certificates are carried at fair value.

It is management's opinion that the Authority is not exposed to significant interest, currency or credit risk arising from these financial instruments.