

Financial Statements of

**THE GREATER VICTORIA  
HARBOUR AUTHORITY**

Year ended March 31, 2009



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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, 2009 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, 2009 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 3, 2009

# THE GREATER VICTORIA HARBOUR AUTHORITY

## Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
<b>Assets</b>		
Current assets:		
Cash	\$ 4,344,746	\$ 1,119,259
Guaranteed investment certificates (note 2)	5,063,054	7,987,015
Accounts receivable	151,363	233,199
Prepaid expenses	16,738	99,114
	<u>9,575,901</u>	<u>9,438,587</u>
Investments (note 3)	983,922	1,014,445
Capital assets (note 4)	54,118,972	53,799,996
	<u>\$ 64,678,795</u>	<u>\$ 64,253,028</u>

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 937,855	\$ 662,889
Deferred revenue	99,919	72,349
	<u>1,037,774</u>	<u>735,238</u>
Deferred contributions (note 5)	1,031,086	1,574,531
Deferred capital contributions (note 6)	27,011,082	27,972,474
Net assets:		
Invested in capital assets	27,107,890	25,827,522
Internally restricted self-insurance fund (notes 3 and 7)	983,922	1,014,445
Unrestricted	7,507,041	7,128,818
	<u>35,598,853</u>	<u>33,970,785</u>
Commitments and contingencies (note 9)		
	<u>\$ 64,678,795</u>	<u>\$ 64,253,028</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, 2009, with comparative figures for 2008

	Erie Street	Wharf Street	Ship Point	Mermiad's Wharf	Ogden Point and Pier Upgrades	2009 Total	2008 Total
<b>Revenues:</b>							
Shipping	\$ -	\$ -	\$ -	\$ -	\$ 2,690,640	\$ 2,690,640	\$ 2,366,462
Marinas and attractions	666,614	317,702	770,484	25,815	-	1,780,615	1,442,066
Property services	296,335	37,547	37,651	-	358,361	729,894	854,219
Marine transportation	-	59,724	-	-	88,324	148,048	82,643
	962,949	414,973	808,135	25,815	3,137,325	5,349,197	4,745,390
<b>Expenses:</b>							
General operating expenses	262,859	219,340	407,384	29,932	243,933	1,163,448	1,097,300
Repairs and maintenance	94,171	51,956	72,708	1,845	518,786	739,466	383,345
Insurance	41,427	21,646	34,249	473	48,226	146,021	220,554
Property taxes	43,664	14,963	39,710	2,713	517,251	618,301	536,729
Administrative	242,050	184,202	378,762	7,830	526,618	1,339,462	1,230,047
Depreciation of capital assets	114,617	113,303	307,047	15,187	819,901	1,370,055	1,240,099
	798,788	605,410	1,239,860	57,980	2,674,715	5,376,753	4,708,073
<b>Excess (deficiency) of revenues over expenses before the following</b>	<b>164,161</b>	<b>(190,437)</b>	<b>(431,725)</b>	<b>(32,165)</b>	<b>462,610</b>	<b>(27,556)</b>	<b>37,317</b>
Amortization of deferred non-capital contributions (note 5)	-	-	-	-	543,445	543,445	1,221,987
Amortization of deferred capital contributions (note 6)	60,487	83,213	136,143	-	681,549	961,392	961,392
<b>Excess (deficiency) of revenues over expenses before investment income</b>	<b>224,648</b>	<b>(107,224)</b>	<b>(295,582)</b>	<b>(32,165)</b>	<b>1,687,604</b>	<b>1,477,281</b>	<b>2,220,696</b>
Investment income	43,440	11,487	26,670	143	69,046	150,786	416,634
	268,088	(95,737)	(268,912)	(32,022)	1,756,650	1,628,067	2,637,330
<b>Unrestricted net assets, beginning of year</b>	<b>403,666</b>	<b>301,957</b>	<b>(320,311)</b>	<b>(164,214)</b>	<b>6,907,720</b>	<b>7,128,818</b>	<b>7,318,770</b>
Accounting policy change (note 1(b)(i))	-	-	-	-	-	-	91,072
<b>Transfer (to) from invested in capital assets:</b>							
Purchase of capital assets	(307,797)	(2,172)	(5,406)	9,328	(1,382,983)	(1,689,030)	(2,974,616)
Depreciation of capital assets contributed from Harbour Authority general operations	54,130	30,090	170,904	15,187	138,352	408,663	278,707
<b>Transfer (to) from internally restricted self-insurance fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,523</b>	<b>30,523</b>	<b>(222,445)</b>
<b>Unrestricted net assets, end of year</b>	<b>\$ 418,087</b>	<b>\$ 234,138</b>	<b>\$ (423,725)</b>	<b>\$ (171,721)</b>	<b>\$ 7,450,262</b>	<b>\$ 7,507,041</b>	<b>\$ 7,128,818</b>

See accompanying notes to financial statements

# THE GREATER VICTORIA HARBOUR AUTHORITY

## Statement of Cash Flows

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

	2009	2008
<b>Cash flows from operating activities:</b>		
Excess of revenues over expenses	\$ 1,628,067	\$ 2,637,330
Items not involving cash:		
Amortization of deferred contributions	(543,445)	(1,221,987)
Amortization of deferred capital contributions	(961,392)	(961,392)
Depreciation of capital assets	1,370,054	1,240,099
Unrealized loss on securities	166,942	36,627
Decrease in accrued interest on guaranteed investment certificates	140,542	106,452
Net change in non-cash working capital:		
Decrease (increase) in accounts receivable	81,836	(88,016)
Decrease (increase) in prepaid expenses	82,376	(74,343)
Increase (decrease) in accounts payable and accrued liabilities	274,967	(70,569)
Increase in deferred revenue	27,570	2,949
	<u>2,267,517</u>	<u>1,607,150</u>
<b>Investing activities:</b>		
Purchase of capital assets	(92,370)	(2,364,734)
Capital assets under construction	(1,596,660)	(609,882)
Purchase of investments	(168,000)	(168,000)
Guaranteed investment certificates matured	4,490,000	3,437,000
Purchase of guaranteed investment certificates	(1,675,000)	(1,000,000)
	<u>957,970</u>	<u>(705,616)</u>
Increase in cash	3,225,487	901,534
Cash, beginning of year	1,119,259	217,725
Cash, end of year	<u>\$ 4,344,746</u>	<u>\$ 1,119,259</u>

See accompanying notes to financial statements.

# THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2009

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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, 2009

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## 1. Significant accounting policies (continued):

### (b) Financial instruments:

- (i) Guaranteed investment certificates and investments are classified as held for trading, and carried at fair value with changes in fair value recognized in income. Accounts receivable, accounts payable and long-term debt are all initially recorded at fair value and then carried at amortized cost thereafter.

The fair value of the Authority's accounts receivable and accounts payable approximate their carrying value due to their short term nature. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risk arising from these financial instruments.

During the year, the Canadian Institute of Chartered Accountants ("CICA") announced that not-for-profit organizations could elect to continue to apply CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation, in place of Handbook Sections 3862, Financial Instruments – Disclosure and 3863 Financial Instruments – Presentation. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from the financial instruments and how an entity manages those risks. The Authority has elected to continue to apply the financial instruments disclosure and presentation standards in accordance with Section 3861.

- (ii) The Authority adopted, in accordance with the requirements of the CICA the foregoing accounting policy effective for April 1, 2007. A transitional adjustment of \$91,072 representing the cumulative net unrealized gain on investments was recorded as an increase to unrestricted net assets.

### (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).

# THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2009

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## 1. Significant accounting policies (continued):

### (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.

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

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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) 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 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 depreciation period of capital assets. Actual results could differ from these estimates.

# THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2009

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## 1. Significant accounting policies (continued):

### (g) Capital disclosures:

Effective April 1, 2008, the Authority adopted Handbook Section 1535, Capital Disclosures. Under this new standard, the Authority is required to disclose both qualitative and quantitative information that enables users of the financial statements to evaluate the Authority's objectives, policies, and processes for managing capital. It also includes disclosure regarding what the Authority regards as capital, whether the Authority has complied with any external requirements and in the event of non-compliance, the consequences of not complying with these capital requirements (note 10)

### (h) Future accounting changes:

In September 2008, the CICA issued amendments to Handbook Sections 4400, Financial Statement Presentation by Not-for-Profit Organizations and 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations. The amendments are effective for the Authority's fiscal year commencing April 1, 2009 and remove the requirement to disclose net assets invested in capital assets, expand interim financial statement requirements to not-for-profit organizations that prepare interim financial statements, require disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and include the requirement to follow Handbook Section 1540, Cash Flow Statements. The Authority does not believe these amendments will have a material impact on its financial statements.

The CICA has decided to transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS) effective January 1, 2011. The Authority is currently classified as a not-for-profit organization. The Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) have jointly issued an Invitation to Comment to invite feedback on the future of financial reporting by not-for-profit organizations. In addition, PSAB has issued an Invitation to comment on the future financial reporting of government organizations. The Authority is in the process of reviewing the impact of these documents on its reporting framework and financial statements.

## 2. Guaranteed investment certificates:

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	2009	2008
Short-term certificates	\$ 5,063,054	\$ 7,987,015

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Guaranteed investment certificates, at rates of interest varying between 1.50% and 5.00%, include an amount of \$1,031,086 (2008 - \$1,574,530) which is restricted for Ogden Point caisson repairs under the contribution agreements with Transport Canada.

# THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2009

### 3. Investments:

The major components of investments stated at market value are as follows:

	2009	2008
Fixed income	\$ 508,592	\$ 453,457
Canadian equity	238,274	303,319
US equity	109,529	101,445
International equity	90,450	104,488
Real estate	37,077	51,736
	<b>\$ 983,922</b>	<b>\$ 1,014,445</b>

### 4. Capital assets:

	Cost	Accumulated depreciation	2009 Net book value	2008 Net book value
Land	\$ 19,563,855	\$ -	\$ 19,563,855	\$ 19,563,859
Breakwater and piers	27,403,872	3,621,760	23,782,112	24,419,852
Wharves and docks	5,943,312	2,162,563	3,780,749	3,301,521
Buildings and yard improvements	7,122,414	1,653,113	5,469,301	4,512,177
Furniture and fixtures	43,804	31,362	12,442	19,593
Office and maintenance equipment	110,292	56,509	53,783	69,901
Boats, marine and automotive	79,798	36,597	43,201	59,559
Capital assets under construction	1,413,529	-	1,413,529	1,853,534
	<b>\$ 61,680,876</b>	<b>\$ 7,561,904</b>	<b>\$ 54,118,972</b>	<b>\$ 53,799,996</b>

# THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2009

## 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, 2008	Amounts amortized to revenue	Balance March 31, 2009
Special projects:			
Ogden Point - pier upgrades	\$ 1,574,531	\$ 543,445	\$ 1,031,086

## 6. Deferred capital contributions:

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

	Balance March 31, 2008	Amounts amortized to revenue	Balance March 31, 2009
Erie Street	\$ 335,907	\$ 60,487	\$ 275,420
Wharf Street	748,921	83,213	665,708
Ship Point	1,111,242	136,143	975,099
Ogden Point	24,012,109	551,490	23,460,619
Ogden Point - pier upgrades	1,764,295	130,059	1,634,236
	\$ 27,972,474	\$ 961,392	\$ 27,011,082

## 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.

# THE GREATER VICTORIA HARBOUR AUTHORITY

Notes to Financial Statements

Year ended March 31, 2009

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## 8. Board of directors' fees:

For purposes of directors' 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 \$59,000 which represented 1.2% of the previous year's gross revenues.

## 9. Commitments and contingencies:

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

	Building	Equipment	Total
2009	\$ 121,704	\$ 8,200	\$ 129,904
2010	121,704	8,200	129,904
	\$ 243,408	\$ 16,400	\$ 259,808

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

- (ii) As at March 31, 2009, 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.
- (iii) The Authority has been named a defendant in a legal action claiming damages. Costs, if any, are recorded when a liability is likely and reasonably determinable.

## 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 external capital requirements with respect to operating funding.