

Village of Lions Bay
Financial Statements
For the year ended December 31, 2010

Village of Lions Bay
Financial Statements
For the year ended December 31, 2010

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Change in Net Financial Assets	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7
Notes to Financial Statements	9 - 13
Schedule 1 - Statement of Operations by Segment	14
Schedule 2 - General Departmental Expenses	15
Schedule 3 - Tangible Capital Assets	16

Independent Auditor's Report

To the Mayor and Councilors of the Village of Lions Bay

We have audited the accompanying financial statements of the Village of Lions Bay, which comprise the Statement of Financial Position as at December 31, 2010, the Statements of Operations, Change in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies, and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Village of Lions Bay as at December 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

Vancouver, British Columbia
July 18, 2011

**Village of Lions Bay
Statement of Financial Position**

December 31	2010	2009
	(Restated - Note 1)	
Financial Assets		
Cash and equivalents	\$ 306,976	\$ 154,793
Portfolio investments	1,524,216	2,705,489
Accounts receivable	326,988	356,531
Grant receivable - Province of British Columbia	293,569	-
	<u>2,451,749</u>	<u>3,216,813</u>
Liabilities		
Accounts payable	364,590	298,312
Deferred revenue	-	230,761
Long term debt (Note 2)	1,627,600	1,690,138
	<u>1,992,190</u>	<u>2,219,211</u>
Net Financial Assets	<u>459,559</u>	<u>997,602</u>
Non-Financial Assets		
Tangible capital Assets (Note 4)	19,925,952	19,186,641
Prepaid expenses	555	11,754
	<u>19,926,507</u>	<u>19,198,395</u>
Accumulated Surplus (Note 9)	<u>\$20,386,066</u>	<u>\$ 20,195,997</u>

_____ Treasurer

_____ Mayor

**Village of Lions Bay
Statement of Operations**

	2010 Actual	2010 Fiscal Plan (Note 7)	2009 Actual
For the year ended December 31			
(Restated -Note 1)			
Revenue			
Taxation (Note 5)	\$ 1,199,804	\$ 1,177,016	\$ 1,145,644
Utility connection fees and user rates	324,209	318,000	306,126
Government grants	775,726	1,432,906	1,697,952
Sale of services	214,815	166,920	226,522
Other revenues	130,582	134,670	151,495
Proceeds on disposal of property and equipment	9,672	-	-
	<u>2,654,808</u>	<u>3,229,512</u>	<u>3,527,739</u>
Expenses			
General departmental expenses (Schedule 2)	1,648,559	1,512,758	1,490,182
Water system operations	271,428	251,900	223,494
Sewer system operations	53,218	37,275	22,291
Interest and bank charges	94,481	22,475	91,751
Amortization expense	397,053	-	329,081
	<u>2,464,739</u>	<u>1,824,408</u>	<u>2,156,799</u>
Annual (Deficit) Surplus	190,069	1,405,104	1,370,940
Accumulated Surplus, beginning of year	<u>20,195,997</u>	<u>20,195,997</u>	<u>18,825,057</u>
Accumulated Surplus, end of year	<u>\$20,386,066</u>	<u>\$ 21,601,101</u>	<u>\$ 20,195,997</u>

Village of Lions Bay
Statement of Change in Net Financial Assets

For the year ended December 31	2010 Actual	2010 Fiscal Plan (Note 7)	2009 Actual
			(Restated -Note 1)
Annual (deficit) surplus	\$ 190,069	\$ 1,405,104	\$ 1,370,940
Change in Tangible Capital Assets			
Acquisition of tangible capital assets	(1,136,365)	(1,813,501)	(1,483,485)
Amortization of tangible capital assets	397,053	-	329,081
Change in Other Non-Financial Assets			
Acquisition of prepaid expenses	11,200	-	(11,754)
Change in net financial assets for the year	(538,043)	(408,397)	204,782
Net financial assets, beginning of year	997,602	997,602	792,820
Net financial assets, end of year	\$ 459,559	\$ 589,205	\$ 997,602

Village of Lions Bay
Statement of Cash Flows

For the year ended December 31	2010	2009
Cash provided by (used in)		
Operating transactions		
Annual (deficit) surplus	\$ 190,069	\$ 1,370,940
Items not involving cash		
Amortization expense	397,053	329,081
Changes in non-cash operating balances		
Accounts receivable	(264,026)	(189,846)
Other assets	2,500	2,500
Deferred revenue	(230,761)	230,761
Accounts payable	66,278	142,886
Prepaid expenses	11,199	(11,754)
	172,312	1,874,568
Capital transactions		
Cash used to acquire tangible capital assets	(1,136,365)	(1,483,485)
Investing transactions		
Redemption (purchase) of portfolio investments	1,181,273	(701,834)
Financing transactions		
Repayment of long-term debt	(62,538)	(60,198)
Increase (decrease) in cash and equivalents during the year	154,682	(370,949)
Cash and equivalents, beginning of year	154,793	525,742
Cash and equivalents, end of year	\$ 306,976	\$ 154,793
Supplemental information:		
Interest paid on long-term debt	\$ 94,633	\$ 94,725

Village of Lions Bay
Summary of Significant Accounting Policies

December 31, 2010

The Village is a municipality in the province of British Columbia. The Village prepares its financial statements in accordance with Canadian public sector accounting standards for local government using guidelines developed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Basis of Presentation These financial statements include the accounts of all the funds of the Village. Inter-fund transactions and balances have been eliminated.

Cash and Equivalents Cash and equivalents include bank balances and bank term deposits or guaranteed income certificates generally with duration of less than three months. All amounts are held at Canadian chartered banks and are denominated in Canadian dollars.

Portfolio Investments Portfolio investments are recorded at cost and include bank term deposits or guaranteed income certificates of duration between 3 months to a year. Amounts are denominated in Canadian dollars. Interest paid in the current year was at rates ranging from 0.65% to 1.00% per annum.

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is put into use. Contributed tangible capital assets are recorded at fair value at the time of the contribution.

Estimated useful lives of tangible capital assets are as follows:

Land improvements	7 to 40 years
Buildings	20 to 50 years
Drainage	25 to 40 years
Equipment, Furniture, and Vehicles	5 to 20 years
Infrastructure - water	5 to 80 years
Infrastructure - sewer	5 to 100 years
Roads	10 to 60 years
Other	5 to 60 years

Village of Lions Bay
Summary of Significant Accounting Policies

December 31, 2010

Revenue Recognition	<p>Taxes and parcel taxes are recognized as revenue in the year they are levied.</p> <p>Through the British Columbia Assessments appeal process, Taxes may be adjusted by way of supplementary roll adjustments. The effects of these adjustments on Taxes are recognized at the time they are awarded. Levies imposed by other taxing authorities are not included as Taxes for municipal purposes. Levies imposed for Regional District services and other taxing authorities are not included.</p> <p>Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.</p> <p>Sales of service and other revenue is recognized on an accrual basis.</p>
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>
Financial Instruments	<p>The Village's financial instruments consist of cash and equivalents, portfolio investments, accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the Village is not exposed to significant interest, currency or credit risk arising from these financial instruments.</p>
Deferred Revenue	<p>Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.</p>

Village of Lions Bay
Notes to Financial Statements

December 31, 2010

1. Prior Period Adjustments

In 2010 the Village has adopted the provisions of Section 3150 of the PSAB Handbook and has applied these on a retroactive basis. This resulted in the restatement of the 2009 comparative figures presented in these financial statements which differ from those pre-adoption. The adoption of Section 3150 resulted in the following changes to accounting methods:

- tangible capital assets recorded only when such expenditures represent a new asset or extend the life or service capacity or improve the quality of an existing asset
- tangible capital assets amortized over their estimated useful lives

The impact of these changes is presented as follows:

- increase in opening accumulated surplus by \$9,998,958 as follows:

	2009
	(restated)
Accumulated Surplus, beginning of year as previously stated	\$ 8,826,099
Remove 2008 Tangible Capital Assets	(8,033,280)
Add net book value of 2008 Tangible Capital Assets as restated	18,032,238
Accumulated surplus, beginning of year as restated	\$ 18,825,057

- decrease in 2009 annual surplus reported by \$364,229 as follows:

	2009	2009
	(restated)	(previously reported)
Revenues	\$ 3,527,739	\$ 3,527,739
Expenses/expenditures other than capital and amortization	(1,792,570)	(1,792,570)
Capital expenditures that do not meet criteria of TCA	(35,148)	-
Amortization expense	(329,081)	-
Annual surplus (change in fund balance)	\$ 1,370,940	\$ 1,735,169

Village of Lions Bay
Notes to Financial Statements

December 31, 2010

2. Long-Term Debt

Loan Authorization Bylaw No. 353 was adopted on January 20th, 2005 and gave approval for the Village to borrow up to \$250,000 to assist in providing water services to the specified area of Brunswick Beach whose owners had opted to finance their share of costs over twenty years through a local parcel tax. The interest rate is 5.1% and the debt matures in 2025. The balance outstanding under this bylaw at year-end was \$90,637 (2009 - \$95,547).

Loan Authorization Bylaw No. 401 and 374 were respectively adopted on June 2, 2008 and September 19, 2006 and gave approval for the Village to borrow up to \$800,000 and \$600,000 to assist in providing construction improvements to the water system servicing the Village of Lions Bay. The interest rate is 5.15% and the debt matures in 2028. The balance outstanding under the bylaws at year-end was \$1,304,090 (2009 - \$1,352,985).

Loan Authorization Bylaw No. 380 was adopted on September 19, 2006 and gave approval for the Village to borrow up to \$1,300,000 to assist in providing construction improvements to the Village of Lions Bay road system. In 2008, Council reduced the approved borrowing for the bylaw to \$500,000 and \$250,000 was borrowed. The interest rate is 5.15% and the debt matures in 2028. The balance outstanding under this bylaw at year-end was \$232,873 (2009 - \$241,604)

Payments in each of the next five years are as follows:

2011	\$ 60,446
2012	60,574
2013	60,706
2014	60,841
2015	60,980
2016 and onwards	<u>1,324,053</u>
	<u>\$ 1,627,600</u>

3. Developer Deposits

Bylaw 330 requires an applicant for certain building permits to pay a damage deposit of \$1,500 when the work is under \$50,000 and \$3,000 when the work is over \$50,000. The deposit less any costs incurred by the Village in restoring or replacing any damaged works or property will be returned to the applicant. The total cash on deposit of \$89,000 (2009 - \$91,000) has not been reported elsewhere in these financial statements because the deposits will be returned to the applicants. Any portion of these deposits used for replacing damaged works or property will be taken into income by the Village at such time.

Village of Lions Bay
Notes to Financial Statements

December 31, 2010

4. Tangible Capital Assets

	2010	2009
Land	\$11,140,716	\$ 11,140,716
Land improvements	102,684	7,049
Work In progress - general	31,941	-
Equipment - other	708,478	743,812
Buildings	614,944	641,465
Engineering structures	2,369,129	2,456,481
Water supply and distribution system	4,669,401	3,991,129
Sewer collection system and treatment plant	210,131	125,841
Other Tangible Capital Assets	78,528	80,148
	\$19,925,952	\$ 19,186,641

5. Taxation

	Actual 2010	Fiscal Plan 2010	Actual 2009
General purposes	\$ 984,732	\$ -	\$ 929,572
Collections for other governments			
School and RCMP - Province	980,531	-	926,320
Greater Vancouver Transportation Authority	231,400	-	218,488
Municipal Finance Authority	121	-	118
British Columbia Assessment Authority	40,341	-	37,991
	2,237,125	-	2,112,489
Transfers			
Regional District	41,893	-	39,157
Province of British Columbia	938,636	-	886,878
Greater Vancouver Transportation Authority	231,400	-	217,771
Municipal Finance Authority	121	-	118
British Columbia Assessment Authority	40,341	-	37,991
	1,252,391	-	1,181,915
Available for general purposes	984,734	961,946	930,574
Water utility parcel taxes	203,670	203,670	203,670
Sewer utility parcel taxes	11,400	11,400	11,400
	\$ 1,199,804	\$ 1,177,016	\$ 1,145,644

Village of Lions Bay
Notes to Financial Statements

December 31, 2010

6. Contingent Liabilities and Commitments

- (a) The Village is responsible as a member of the Greater Vancouver Regional District for its portion of any operating deficits or capital debt related to functions in which it participates.
- (b) The Village partially insures itself through the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible that the Village along with the other participants, would be required to contribute towards the deficit.
- (c) From time to time the Village is named in lawsuits. At any given point in time, there may be a few lawsuits pending in which the Village is involved. It is considered that the potential claims against the Village resulting from litigation and not covered by insurance would not materially affect these financial statements.

7. Fiscal Plan

Fiscal plan amounts represent the Financial Plan By-Law adopted by Council on May 5, 2010 with estimates for items treated differently under PSAB accounting.

The Financial Plan anticipated use of surpluses accumulated in previous years to balance against current year expenditures in excess of current year revenues. In addition, the Financial Plan anticipated capital expenditures rather than amortization expense.

The following shows how these amounts were combined:

	<u>2010</u>
Financial Plan Bylaw surplus for the year	\$ -
Add back:	
Capital expenditures	1,813,501
Repayment of Debt	128,773
Less:	
Budgeted transfers from accumulated surplus	(108,996)
Debt Proceeds	(428,174)
	<u>\$ 1,405,104</u>

Village of Lions Bay
Notes to Financial Statements

December 31, 2010

8. Pension Plan

The Village and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly-trusted pension plan. The Plan's 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 the benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments.

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, 2009 indicates a unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The Village paid \$30,052 (2009 - \$29,117) for employer contributions to the plan in the year ended December 31, 2010 while employee contributions totaled 27,414 (2009 - \$27,318).

9. Accumulated Surplus

The components of accumulated surplus are as follows:

	<u>2010</u>	<u>2009</u> (restated)
Invested in tangible capital assets	\$18,298,353	\$ 17,496,503
Reserve funds	688,403	557,825
Unrestricted amounts	<u>1,399,310</u>	<u>2,141,669</u>
	<u>\$20,386,066</u>	<u>\$ 20,195,997</u>

The increase in reserve funds in the current year of \$130,578 is the result of \$125,000 of the annual surplus from protective services being earmarked for the purchase of a fire truck in 2011 with the balance of \$5,578 representing interest credited to reserve funds for the year.

Village of Lions Bay
Schedule 1 - Statement of Operations by Segment

For the year ended December 31, 2010

	Government Services	Protective Services	Transportation	Environment Health Services	Recreational and Cultural Services	Fiscal Services	Water Utility	Sewer Utility	Unallocated	2010 Actual	2010 Fiscal Plan
Revenues											
General taxes	\$ -	\$ 215,706	\$ -	\$ -	\$ -	\$ -	\$ 203,670	\$ 11,400	\$ 769,028	\$ 1,199,804	\$ 1,177,016
Utility charges	-	-	-	-	-	-	291,809	32,400	-	324,209	318,000
Government grants - Federal	-	-	-	-	850	-	-	-	-	850	500
Government grants - Provincial	-	130,234	-	-	-	-	238,603	54,966	351,073	774,876	1,432,406
Asset disposals	-	9,672	-	-	-	-	-	-	-	9,672	-
Sales of services	-	3,845	-	167,919	40,158	-	-	-	2,893	214,815	166,920
Other revenue	22,014	48,917	-	-	-	59,586	65	-	-	130,582	134,670
	22,014	408,374	-	167,919	41,008	59,586	734,147	98,766	1,122,994	2,654,808	3,229,512
Expenses											
Operating											
Goods and services	175,176	221,253	248,230	195,057	133,789	-	117,969	45,129	-	1,136,603	1,024,625
Labour	336,227	44,985	277,741	-	16,102	-	153,458	8,089	-	836,602	799,783
Amortization	269,023	-	-	-	-	-	106,641	21,389	-	397,053	-
	780,426	266,238	525,971	195,057	149,891	-	378,068	74,607	-	2,370,258	1,824,408
Interest	-	-	-	-	-	-	-	-	94,481	94,481	-
	780,426	266,238	525,971	195,057	149,891	-	378,068	74,607	94,481	2,464,739	1,824,408
Excess (deficiency) in revenues over expenses	\$ (758,412)	\$ 142,136	\$ (525,971)	\$ (27,138)	\$ (108,883)	\$ 59,586	\$ 356,079	\$ 24,159	\$ 1,028,513	\$ 190,069	\$ 1,405,104

Village of Lions Bay
Schedule 2 - General Departmental Expenses

For the year ended December 31	2010 Actual	2010 Fiscal Plan (Note 7)	2009 Actual
			(Restated -Note 1)
General Government			
Administrative and financial management	\$ 435,058	\$ -	\$ 493,513
Professional fees	55,131	-	41,369
Insurance	19,232	-	20,176
Workers' Compensation	1,981	-	8,488
	511,402	508,393	563,546
Protective Services			
Fire protection	225,633	-	180,214
Building inspection	13,259	-	12,036
Bylaw enforcement and dog control	16,620	-	13,216
Emergency social services	10,726	-	22,243
Sundry	-	-	-
	266,238	270,289	227,709
Transportation			
Supplies and equipment operation	64,898	-	49,979
Works yard and shop	428,626	-	255,673
Road maintenance	32,447	-	67,478
Kelvin Grove - maintenance	-	-	-
Other	-	-	-
	525,971	364,478	373,130
Environmental Health Services			
Garbage, waste and recycling	195,057	127,000	160,439
	-	-	-
	195,057	166,920	160,439
Recreation and Cultural Services			
General	43,929	-	70,517
Programs	29,983	-	27,877
Community complex	13,994	-	24,979
Library	1,860	-	1,589
Landscaping	48,618	-	21,152
Cultural Events	11,507	-	19,244
Seagull newsletter	-	-	-
	149,891	202,678	165,358
Total general departmental expenses	\$ 1,648,559	\$ 1,512,758	\$ 1,490,182

**Village of Lions Bay
Schedule 3 - Tangible Capital Assets**

For the year ended December 31, 2010

	Land	Buildings	Equipment & Furniture & Vehicle	Land Improvements	Water	Sewer	Roads	Storm Sewer	Other	WIP - Water	WIP - General	2010 Total	2009 Total
Cost, beginning of year	\$ 11,140,716	\$ 1,326,026	\$ 1,124,913	\$ 27,113	\$ 4,515,872	\$ 314,602	\$ 4,280,108	\$ 98,100	\$ 81,784	\$ 1,100,034	\$ -	\$24,009,267	\$ 22,525,783
Additions	-	-	70,878	101,271	1,810,556	105,679	41,665	-	17	74,391	31,941	2,236,398	1,483,485
Disposals	-	-	-	-	-	-	-	-	-	(1,100,034)	-	(1,100,034)	-
Cost, end of year	11,140,716	1,326,026	1,195,791	128,384	6,326,428	420,281	4,321,773	98,100	81,801	74,391	31,941	25,145,631	24,009,268
Accumulated amortization, beginning of year	-	684,561	381,101	20,064	1,624,777	188,761	1,856,337	65,390	1,636	-	-	4,822,627	4,493,546
Amortization	-	26,521	106,212	5,636	106,641	21,389	127,174	1,843	1,637	-	-	397,053	329,081
Accumulated amortization, end of year	-	711,082	487,313	25,700	1,731,418	210,150	1,983,511	67,233	3,273	-	-	5,219,680	4,822,627
Net carrying amount, end of year	\$ 11,140,716	\$ 614,944	\$ 708,478	\$ 102,684	\$ 4,595,010	\$ 210,131	\$ 2,338,262	\$ 30,867	\$ 78,528	\$ 74,391	\$ 31,941	\$19,925,952	\$ 19,186,641