

Village of Lions Bay
Financial Statements
For the year ended December 31, 2011

Village of Lions Bay
Financial Statements
For the year ended December 31, 2011

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 - 8
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



Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

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, 2011, 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 the Village of Lions Bay as at December 31, 2011 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
May 22, 2012

Village of Lions Bay
Statement of Financial Position

December 31	2011	2010
	(Restated - Note 1)	
Financial Assets		
Cash and equivalents	\$ 260,691	\$ 306,976
Portfolio investments	403,308	1,524,216
Accounts receivable	342,359	326,988
Grant receivable - Province of British Columbia	97,014	293,569
	<u>1,103,372</u>	<u>2,451,749</u>
Liabilities		
Accounts payable	174,194	279,418
Deferred revenue	22,500	-
Sick, overtime, wellness and vacation payable	64,035	85,172
Long term debt (Note 2)	1,562,633	1,627,600
	<u>1,823,362</u>	<u>1,992,190</u>
Net Financial Assets (Debt)	<u>(719,990)</u>	<u>459,559</u>
Non-Financial Assets		
Tangible capital Assets (Note 4)	20,139,491	18,852,794
Prepaid expenses	4,003	555
	<u>20,143,494</u>	<u>18,853,349</u>
Accumulated Surplus (Note 9)	<u>\$ 19,423,504</u>	<u>\$ 19,312,908</u>

Approved by Council:

**Village of Lions Bay
Statement of Operations**

For the year ended December 31	2011 Actual	2011 Fiscal Plan	2010 Actual
	(Note 7) (Restated -Note 1)		
Revenue			
Taxation (Note 5)	\$ 1,272,086	\$ 1,227,724	\$ 1,199,804
Utility connection fees and user rates	328,459	302,150	324,209
Government grants	977,731	965,050	775,726
Sale of services	230,485	206,615	214,815
Other revenues	120,015	176,350	130,582
Proceeds on disposal of property and equipment	-	-	9,672
	<u>2,928,776</u>	<u>2,877,889</u>	<u>2,654,808</u>
Expenses			
General departmental expenses (Schedule 2)	1,563,159	1,559,355	1,648,559
Water system operations	680,536	211,127	271,428
Sewer system operations	35,856	43,800	53,218
Interest and bank charges	86,797	14,875	94,481
Amortization expense	451,832	-	375,053
	<u>2,818,180</u>	<u>1,829,157</u>	<u>2,442,739</u>
Annual Surplus	110,596	1,048,732	212,069
Accumulated Surplus, beginning of year	<u>19,312,908</u>	<u>19,312,908</u>	<u>19,100,839</u>
Accumulated Surplus, end of year	<u>\$ 19,423,504</u>	<u>\$ 20,361,640</u>	<u>\$ 19,312,908</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Village of Lions Bay
Statement of Change in Net Financial Assets

For the year ended December 31	2011 Actual	2011 Fiscal Plan	2010 Actual
	(Note 7) (Restated -Note 1)		
Annual (deficit) surplus	\$ 110,596	\$ 1,048,732	\$ 212,069
Change in Tangible Capital Assets			
Acquisition of tangible capital assets	(1,740,642)	(1,705,700)	(1,136,365)
Amortization of tangible capital assets	451,832	-	375,053
Gain on disposals of tangible capital assets	(4,384)	-	-
Proceeds on sale of tangible capital assets	6,500	-	-
Change in Other Non-Financial Assets			
Acquisition of prepaid expenses	(3,451)	-	11,200
Change in net financial assets for the year	(1,179,549)	(656,968)	(538,043)
Net financial assets, beginning of year	459,559	459,559	997,602
Net financial assets, end of year	\$ (719,990)	\$ (197,409)	\$ 459,559

**Village of Lions Bay
Statement of Cash Flows**

For the year ended December 31	2011	2010
Cash provided by (used in)		
Operating transactions		
Annual surplus	\$ 110,596	\$ 212,069
Items not involving cash		
Amortization expense	451,832	375,053
Gain on disposal of tangible capital assets	(4,384)	-
Changes in non-cash operating balances		
Accounts receivable	181,182	(264,026)
Deferred revenue	22,500	(230,761)
Accounts payable	(105,224)	31,409
Sick, overtime, wellness and vacation payable	(21,137)	34,869
Prepaid expenses	(3,448)	11,199
	<u>631,917</u>	<u>169,812</u>
Capital transactions		
Cash used to acquire tangible capital assets	(1,740,642)	(1,136,365)
Proceeds on sale of tangible capital assets	6,500	-
	<u>(1,734,142)</u>	<u>(1,136,365)</u>
Investing transactions		
Redemption (purchase) of portfolio investments	<u>1,120,908</u>	<u>1,181,274</u>
Financing transactions		
Repayment of long-term debt principal	<u>(64,967)</u>	<u>(62,538)</u>
(Decrease) increase in cash and equivalents during the year	(46,284)	152,183
Cash and equivalents, beginning of year	<u>306,976</u>	<u>154,793</u>
Cash and equivalents, end of year	<u>\$ 260,692</u>	<u>\$ 306,976</u>
Supplemental information:		
Interest paid on long-term debt	<u>\$ 86,797</u>	<u>\$ 94,633</u>

Village of Lions Bay

Summary of Significant Accounting Policies

December 31, 2011

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 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, 2011

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. A significant area requiring management estimates relates to the useful life of tangible assets for amortization calculations.</p>
Financial Instruments	<p>The Village's financial instruments consist of cash and equivalents, portfolio investments, accounts receivable, grant 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, 2011

1. Prior Period Adjustments

In 2009, the Village adopted the provisions of Section 3150 of the PSAB Handbook and recorded the Village's tangible capital assets, net of related amortization, as non-financial assets. During 2011, additional information became available about the Village's inventory of tangible capital assets and the financial statements have been retroactively adjusted.

The impact of these changes was to:

- Decrease opening accumulated surplus by \$1,095,158

	2010 (restated)	2010 (previously reported)
Opening net financial assets	\$ 997,602	\$ 997,602
Tangible capital assets (book value)	18,091,483	19,186,641
Other non-financial assets	11,754	11,754
Opening accumulated surplus	<u>\$ 19,100,839</u>	<u>\$ 20,195,997</u>

- Increase annual surplus by \$22,000 as follows:

	2010 (restated)	2010 (previously reported)
Revenues	\$ 2,654,808	\$ 2,654,808
Expenses (expenditures other than capital and amortization)	(2,067,686)	(2,067,686)
Amortization expense	<u>(375,053)</u>	<u>(397,053)</u>
Annual surplus (change in fund balance)	<u>\$ 212,069</u>	<u>\$ 190,069</u>

Village of Lions Bay
Notes to Financial Statements

December 31, 2011

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 \$85,601 (2010 - \$90,637).

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 \$1,253,240 (2010 - \$1,304,09).

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 \$223,793 (2010 - \$232,873).

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

2012	\$	60,574
2013		60,706
2014		60,841
2015		60,980
2016		61,122
2017 and onwards		<u>1,258,410</u>
	\$	<u>1,562,633</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 \$91,000 (2010 - \$89,000) 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, 2011

4. Tangible Capital Assets

	2011		2010
	Cost	Accumulated Amortization	Net Book Value
			Net Book Value
			(restated)
Land	\$ 11,150,183	\$ -	\$ 11,150,183
Land improvements	141,496	32,825	108,671
Work In progress - general	-	-	-
Equipment - other	1,484,048	608,845	875,203
Buildings	1,351,952	739,111	612,841
Engineering structures	4,441,923	2,168,883	2,273,040
Water supply and distribution	6,702,430	1,849,834	4,852,596
Sewer collection and treatment	421,824	231,759	190,065
Other Tangible Capital Assets	81,801	4,909	76,892
	\$ 25,775,657	\$ 5,636,166	\$ 20,139,491
			\$ 18,852,794

5. Taxation

	Actual 2011	Fiscal Plan 2011	Actual 2010
General purposes	\$ 1,049,532	\$ -	\$ 984,732
Collections for other governments			
School and RCMP - Province	966,065	-	980,531
Greater Vancouver Transportation Authority	222,262	-	231,400
Municipal Finance Authority	126	-	121
British Columbia Assessment Authority	39,363	-	40,341
	2,277,348	-	2,237,125
Transfers			
Regional District	41,764	-	41,893
Province of British Columbia	924,313	-	938,636
Greater Vancouver Transportation Authority	222,350	-	231,400
Municipal Finance Authority	126	-	121
British Columbia Assessment Authority	39,379	-	40,341
	1,227,932	-	1,252,391
Available for general purposes	1,049,416	1,004,654	984,734
Water utility parcel taxes	203,670	203,670	203,670
Sewer utility parcel taxes	19,000	19,400	11,400
	\$ 1,272,086	\$ 1,227,724	\$ 1,199,804

Village of Lions Bay
Notes to Financial Statements

December 31, 2011

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) The Village may be subject to litigation in regard to employment matters. In addition, the Village is from time to time involved in other lawsuits. The Village vigorously defends any such claims. At December 31, 2011 there is not sufficient information available to allow the Village to make a reasonable estimate of the potential for loss, if any, resulting from outstanding matters. Accordingly, these financial statements contain no provision for such amounts. Amounts will be recorded in the financial statements in the period in which additional information becomes available that allows a reasonable estimate to be made.

7. Fiscal Plan

Fiscal plan amounts represent the Financial Plan By-Law adopted by Council on May 3, 2011 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>2011</u>
Financial Plan Bylaw surplus for the year	\$ -
Add back:	
Capital expenditures	1,705,700
Repayment of Debt	128,773
Less:	
Budgeted transfers from accumulated surplus	(58,111)
Debt Proceeds	<u>(727,630)</u>
	<u>\$ 1,048,732</u>

Village of Lions Bay
Notes to Financial Statements

December 31, 2011

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 173,000 active members and approximately 63,000 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 \$35,213 (2010 - \$30,052) for employer contributions to the plan in the year ended December 31, 2010 while employee contributions totaled \$32,671 (2010 - \$27,414).

9. Accumulated Surplus

The components of accumulated surplus are as follows:

	<u>2011</u>	<u>2010</u> (restated)
Invested in tangible capital assets	\$ 18,576,858	\$ 17,225,194
Reserve funds	571,227	688,403
Unrestricted amounts	<u>275,419</u>	<u>1,399,311</u>
	<u>\$ 19,423,504</u>	<u>19,312,908</u>

The decrease in reserve funds in the current year of \$117,176 is the result of \$125,000 of the reserves being used for the purchase a fire truck in 2011 with the balance of \$7,824 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, 2011

	Government Services	Protective Services	Transportation	Environment Health Services	Recreational and Cultural Services	Fiscal Services	Water Utility	Sewer Utility	Unallocated	2011 Actual	2011 Fiscal Plan
Revenues											
General taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,670	\$ 19,000	\$ 1,049,416	\$ 1,272,086	\$ 1,227,724
Utility charges	-	-	-	-	-	-	296,059	32,400	-	328,459	302,150
Government grants - Federal	-	-	-	-	850	-	-	-	-	850	850
Government grants - Provincial	-	-	-	-	-	-	544,780	54,966	377,135	976,881	964,200
Sales of services	-	-	-	195,862	29,662	-	-	-	4,961	230,485	206,615
Other revenue	13,835	44,433	-	-	-	61,747	-	-	-	120,015	176,350
	13,835	44,433	-	195,862	30,512	61,747	1,044,509	106,366	1,431,512	2,928,776	2,877,889
Expenses											
Operating											
Goods and services	181,889	191,745	222,369	215,615	78,825	-	559,484	32,828	-	1,482,755	1,029,374
Labour	265,907	25,473	291,577	4,700	85,059	-	121,052	3,028	-	796,796	799,783
Amortization	284,929	-	-	-	-	-	145,294	21,609	-	451,832	-
	732,725	217,218	513,946	220,315	163,884	-	825,830	57,465	-	2,731,383	1,829,157
Interest	-	-	-	-	-	-	-	-	86,797	86,797	14,875
	732,725	217,218	513,946	220,315	163,884	-	825,830	57,465	86,797	2,818,180	1,829,157
Excess (deficiency) in revenues over expenses	\$ (718,890)	\$ (172,785)	\$ (513,946)	\$ (24,453)	\$ (133,372)	\$ 61,747	\$ 218,679	\$ 48,901	\$ 1,344,715	\$ 110,596	\$ 1,048,732

Village of Lions Bay
Schedule 2 - General Departmental Expenses

For the year ended December 31	2011 Actual	2011 Fiscal Plan	2010 Actual
			(Note 7) (Restated -Note 1)
General Government			
Administrative and financial management	\$ 350,809	\$ -	\$ 435,058
Professional fees	61,813	-	55,131
Insurance	30,257	-	19,232
Workers' Compensation	4,917	-	1,981
	<u>447,796</u>	<u>519,602</u>	<u>511,402</u>
Protective Services			
Fire protection	170,468	-	225,633
Building inspection	17,238	-	13,259
Bylaw enforcement and dog control	19,188	-	16,620
Emergency social services	10,324	-	10,726
	<u>217,218</u>	<u>207,331</u>	<u>266,238</u>
Transportation			
Supplies and equipment operation	76,764	-	64,898
Works yard and shop	346,809	-	383,622
Road maintenance	90,373	-	32,447
Kelvin Grove - maintenance	-	-	-
	<u>513,946</u>	<u>389,452</u>	<u>480,967</u>
Environmental Health Services			
Garbage, waste and recycling	220,315	-	195,057
	<u>220,315</u>	<u>179,665</u>	<u>195,057</u>
Recreation and Cultural Services			
General	87,302	-	88,933
Programs	22,861	-	29,983
Community complex	18,663	-	13,994
Library	1,729	-	1,860
Landscaping	29,892	-	48,618
Cultural Events	3,437	-	11,507
	<u>163,884</u>	<u>263,305</u>	<u>194,895</u>
Total general departmental expenses	<u>\$ 1,563,159</u>	<u>\$ 1,559,355</u>	<u>\$ 1,648,559</u>

Village of Lions Bay
Schedule 3 - Tangible Capital Assets

For the year ended December 31, 2011

	Land	Buildings	Equipment & Furniture & Vehicle Improvements	Land	Water	Sewer	Roads	Storm Sewer	Other	WIP - Water	WIP - General	2011 Total	2010 Total
Cost, beginning of year	\$ 11,140,716	\$ 1,326,026	\$ 1,195,791	\$ 128,384	\$ 5,226,394	\$ 420,281	\$ 4,321,773	\$ 98,100	\$ 81,801	\$ 74,391	\$ 31,941	\$24,045,598	\$ 22,909,233
Additions	9,467	25,926	298,840	13,112	1,476,036	1,543	22,050	-	-	-	-	1,846,974	2,236,398
Disposals	-	-	(10,583)	-	-	-	-	-	-	(74,391)	(31,941)	(116,915)	(1,100,034)
Cost, end of year	11,150,183	1,351,952	1,484,048	141,496	6,702,430	421,824	4,343,823	98,100	81,801	-	-	25,775,657	24,045,597
Accumulated amortization, beginning of year	-	711,082	487,313	25,700	1,704,540	210,150	1,983,511	67,233	3,273	-	-	5,192,802	4,817,750
Amortization	-	28,029	129,999	7,125	145,294	21,609	116,296	1,843	1,636	-	-	451,831	375,053
Disposals	-	-	(8,467)	-	-	-	-	-	-	-	-	(8,467)	-
Accumulated amortization, end of year	-	739,111	608,845	32,825	1,849,834	231,759	2,099,807	69,076	4,909	-	-	5,636,166	5,192,803
Net carrying amount, end of year	\$ 11,150,183	\$ 612,841	\$ 875,203	\$ 108,671	\$ 4,852,596	\$ 190,065	\$ 2,244,016	\$ 29,024	\$ 76,892	\$ -	\$ -	\$20,139,491	\$ 18,852,794