

Consolidated Financial Statements of

TOWN OF VIEW ROYAL

Year ended December 31, 2010

TOWN OF VIEW ROYAL

Consolidated Financial Statements

Year ended December 31, 2010

Financial Statements

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Town of View Royal (the "Town") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with public sector accounting principles for local governments established by The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

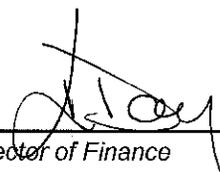
The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Chief Administrative Officer



Director of Finance



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of Town of View Royal

We have audited the accompanying consolidated financial statements of The Town of View Royal which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Town of View Royal as at December 31, 2010, and its consolidated results of operations, and its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

May 3, 2011
Victoria, Canada

TOWN OF VIEW ROYAL

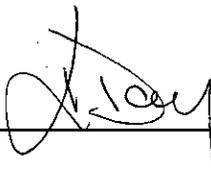
Consolidated Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
		(Restated - note 2)
Financial assets:		
Cash and cash equivalents (note 3)	\$ 7,177,574	\$ 10,288,783
Taxes receivable	276,409	504,563
Accounts receivable	2,116,246	1,475,268
Government grant receivable (note 4)	4,460,092	300,648
	<u>14,030,321</u>	<u>12,569,262</u>
Financial liabilities:		
Accounts payable and accrued liabilities	2,860,906	2,089,243
Deposits	651,175	608,751
Deferred revenue (note 5)	5,336,743	4,814,388
Prepaid property taxes	173,532	92,006
Long-term debt (note 6)	701,482	804,937
Obligations under capital leases	-	35,582
Employee future benefit obligations (note 7)	131,200	106,549
	<u>9,855,038</u>	<u>8,551,456</u>
Net financial assets	4,175,283	4,017,806
Non-financial assets:		
Tangible capital assets (note 8)	98,380,787	92,446,043
Inventory of supplies	9,295	814
Prepaid expenses	22,250	37,350
	<u>98,412,332</u>	<u>92,484,207</u>
Accumulated surplus (note 9)	\$ 102,587,615	\$ 96,502,013

Commitments and contingencies (note 11)

The accompanying notes are an integral part of these consolidated financial statements.



Director of Finance

TOWN OF VIEW ROYAL

Consolidated Statement of Operations

Year ended December 31, 2010, with comparative figures for 2009

	Budget (unaudited - note 12)	2010	2009 (Restated - note 2)
Revenue:			
Taxation, net (note 10)	\$ 5,211,151	\$ 5,213,558	\$ 4,757,127
User charges	1,538,575	1,760,451	1,409,788
Government transfers:			
Provincial	3,024,504	2,441,218	3,026,307
Federal	11,499,028	4,169,446	473,379
Municipal	-	-	10,020
Investment income	70,000	152,405	229,772
Interest on sinking fund assets	-	27,523	20,219
Penalties and fines	94,000	57,457	94,913
Development charges earned	248,705	223,254	112,053
Developer contributions	-	2,100,204	193,760
Contributions and donations	3,000	-	7,589
Other revenue from own sources	1,030,247	874,643	824,710
Total revenue	22,719,210	17,020,159	11,159,637
Expenses:			
General government	1,824,211	1,774,198	1,757,786
Protective services	2,591,646	2,679,337	2,203,609
Transportation services	2,765,644	2,643,494	3,126,134
Environmental health services	1,388,118	1,201,768	1,021,816
Planning and development	518,749	425,664	436,111
Recreation and cultural	2,669,513	2,210,096	2,867,396
Total expenses	11,757,881	10,934,557	11,412,852
Annual surplus (deficit)	10,961,329	6,085,602	(253,215)
Accumulated surplus, beginning of year	96,502,013	96,502,013	96,755,228
Accumulated surplus, end of year	\$ 107,463,342	\$ 102,587,615	\$ 96,502,013

The accompanying notes are an integral part of these consolidated financial statements.

TOWN OF VIEW ROYAL

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2010, with comparative figures for 2009

	Budget	2010	2009
	(unaudited - note 12)		
Annual surplus (deficit)	\$ 10,961,329	\$ 6,085,602	\$ (253,215)
Acquisition of tangible capital assets	(13,525,699)	(5,938,672)	(1,823,304)
Developer contributions of tangible capital assets	-	(1,857,279)	(12,398)
Amortization of tangible capital assets	1,825,000	1,918,560	1,930,997
Loss on disposal and write-down of tangible capital assets	-	62,051	38,676
Proceeds on disposal of tangible capital assets	-	-	3,500
Change in proportionate share of West Shore	-	(119,404)	564,221
	(11,700,699)	(5,934,744)	701,692
Acquisition and consumption of inventory of supplies	-	(8,481)	(814)
Acquisition and consumption of prepaid expenses	-	15,100	79,606
Change in net financial assets	(739,370)	157,477	527,269
Net financial assets, beginning of year	4,017,806	4,017,806	3,490,537
Net financial assets, end of year	\$ 3,278,436	\$ 4,175,283	\$ 4,017,806

The accompanying notes are an integral part of these consolidated financial statements.

TOWN OF VIEW ROYAL

Consolidated Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 6,085,602	\$ (253,215)
Items not involving cash:		
Amortization of tangible capital assets	1,918,560	1,930,997
Loss on disposal and write-down of tangible capital assets	62,051	38,676
Developer contributions of tangible capital assets	(1,857,279)	(12,398)
Change in employee benefits and other liabilities	24,651	15,579
Change in proportionate share of West Shore	(119,404)	564,221
Actuarial adjustment on debt	(27,523)	(20,219)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	(640,978)	345,333
Taxes receivable	228,154	(13,162)
Government grant receivable	(4,159,444)	(246,743)
Accounts payable and accrued liabilities	771,663	(610,369)
Deposits	42,424	(106,325)
Deferred revenue	522,355	126,515
Prepaid property taxes	81,526	29,897
Inventory of supplies	(8,481)	(814)
Prepaid expenses	15,100	79,606
	2,938,977	1,867,579
Capital activities:		
Acquisition of tangible capital assets	(5,938,672)	(1,823,304)
Proceeds on disposal of tangible capital assets	-	3,500
	(5,938,672)	(1,819,804)
Financing activities:		
Debt issued	86,100	-
Capital lease payments	(35,582)	(64,153)
Debt repaid	(162,032)	(162,045)
	(111,514)	(226,198)
Decrease in cash and cash equivalents	(3,111,209)	(178,423)
Cash and cash and cash equivalents, beginning of year	10,288,783	10,467,206
Cash and cash and cash equivalents, end of year	\$ 7,177,574	\$ 10,288,783
Supplemental cash flow information:		
Cash paid for interest	\$ 60,765	\$ 60,765
Cash received from interest	161,853	245,137

The accompanying notes are an integral part of these consolidated financial statements.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements

Year ended December 31, 2010

Town of View Royal (the "Town") is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia.

1. Significant accounting policies:

The consolidated financial statements of the Town are prepared by management in accordance with Canadian public sector accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Town are as follows:

(a) Reporting entity:

The consolidated financial statements reflect the combination of all the assets, liabilities, revenues, expenses, and changes in fund balances and in financial position of the Town. The consolidated financial statements of the Town include the Town's proportionate interest in West Shore Parks and Recreation Society ("West Shore"), an organization jointly controlled by the Town. The Town does not administer any trust activities on behalf of external parties other than the disbursement of casino revenues to other municipal partners as described in note 5.

(b) Basis of accounting:

The Town follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

Casino revenues are required to be spent on eligible expenditures as defined in the agreement with the provincial government. The gross revenue received is deferred and recorded as revenue when the related expenditures are incurred.

(c) Government transfers:

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Transfers received for which expenses are not yet incurred are included in deferred revenue.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

1. Significant accounting policies (continued):

(d) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

Development cost charges are amounts which are restricted by government legislation or agreement with external parties. When qualifying expenses are incurred development cost charges are recognized as revenue in amounts which equal the associated expenses.

(e) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(f) Cash and cash equivalents:

Cash and cash equivalents include investments in the Municipal Finance Authority of British Columbia ("MFA") Bond, Intermediate and Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

(g) Employee future benefits:

The Town and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Sick leave and other retirement benefits are also available to the Town's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

1. Significant accounting policies (continued):

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Land improvements	15 - 40
Buildings and building improvements	20 - 70
Vehicles, machinery and equipment	5 - 25
Roads infrastructure	10 - 75
Drainage and sewer infrastructure	75 - 100

Amortization is charged annually, including in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to the Town's ability to provide goods and services, or when the value of future economic benefits associated with the asset are less than the book value of the asset.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Interest capitalization:

The Town does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

1. Significant accounting policies (continued):

(h) Non-financial assets (continued):

(iv) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(v) Inventory of supplies:

Inventory of supplies held for consumption is recorded at the lower of cost and replacement cost.

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets and estimating provisions for accrued liabilities including employee future benefits. Actual results could differ from these estimates.

2. Restatement:

During the year, it was determined that in 2008 developer contributed assets were not accounted for in the adoption of PSAB Section 3150, Tangible Capital Assets, in 2009. The value of the assets at the time of donation were estimated at \$416,300. This amount has been recorded as an increase to tangible capital assets and opening accumulated surplus in 2009. The adjustment has no impact on the annual surplus, change in net financial assets or cash flows in 2009.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

3. Cash and cash equivalents:

	2010	2009
Bank deposits	\$ 2,330,377	\$ 581,758
Municipal Finance Authority - Money Market	174,124	4,347,481
Municipal Finance Authority - Intermediate	554,403	663,816
Municipal Finance Authority - Short Term Bond	4,100,409	4,678,042
Restricted cash	18,261	17,686
	<hr/> \$ 7,177,574	<hr/> \$ 10,288,783

4. Government grant receivable:

Government grant receivable represents the expenditures paid for by the Town towards upgrades on the Island Highway which are reimbursable based on an agreement between the Union of British Columbia Municipalities and the Town. The agreement allows for reimbursement of 100% of the eligible expenditures incurred between March 12, 2008 and June 30, 2011 up to a total cost of \$7,392,364.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

5. Deferred revenue:

The Town has entered into an agreement with the Province whereby 10% of the net gaming revenue from community casinos is to be paid to local governments. The Town has also entered into a casino revenue sharing agreement with neighbouring municipalities whereby 55% of the revenue received from the Province in respect of the gaming facility situated within the Town is to be disbursed to these governments. The balance of the revenue received from the Province is to be retained by the Town and applied to specific purposes. The disbursement of the 55% is not recorded in the financial statements for the Town and is disclosed below as a disbursement to other municipal partners.

	2010	2009
Gaming revenue:		
Deferred net gaming revenue, beginning of year	\$ 1,444,687	\$ 1,537,095
Amounts received during the year	4,489,941	4,615,323
Disbursements:		
Eligible expenditures	(1,973,138)	(2,169,303)
Other municipal partners	(2,469,467)	(2,538,428)
Deferred net gaming revenue, end of year	1,492,023	1,444,687
Federal Gas Tax Agreement Funds:		
Deferred gas tax agreement funds, beginning of year	449,019	370,959
Amounts received during the year	285,663	289,332
Interest earned	9,448	15,365
Eligible expenses	(71,052)	(226,637)
Deferred gas tax agreement funds, end of year	673,078	449,019
Deferred revenue - other	281,780	379,787
Deferred revenue - development cost charges	2,889,862	2,540,895
Total deferred revenue	\$ 5,336,743	\$ 4,814,388

6. Long-term debt:

(a) Included in long-term debt is the Town's proportionate share of a West Shore five year fixed rate term loan for \$86,100.

(b) MFA debt outstanding:

	Gross debt	Sinking Fund assets	Net debt 2010	Net debt 2009
MFA Issue #95	\$ 1,493,000	\$ 877,618	\$ 615,382	\$ 804,937

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

6. Long-term debt (continued):

(c) Debenture debt:

The loan agreements with the Capital Regional District and the MFA provide that if, at any time, the scheduled payments provided for in the agreements are not sufficient to meet the MFA's obligations in respect of such borrowings, the resulting deficiency becomes a liability of the Town.

The Town issues its debt instruments through the MFA. Most debt is issued on a sinking fund basis, where the MFA invests the Town's sinking fund payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. Actuarial adjustments on debt represent the repayment and/or forgiveness of debt by the MFA using surplus investment income generated by the sinking fund assets.

Principal payments on long-term debt for the next five years are as follows:

	Total
2011	\$ 162,032
2012	162,032
2013	162,032

(d) Maturities and interest rates:

Existing long-term debt matures in annual amounts to the year 2013 and debenture interest is payable at 4.07%.

(e) Interest expense:

Total interest expense during the year was \$60,765 (2009 - \$60,765).

7. Employee future benefits:

Employee benefit obligations represent accrued benefits as at December 31, 2010. Accrued sick leave is the estimated liability for sick leave for all employees. Accrued vacation is the amount of unused vacation entitlement carried forward into the next year. Sick leave entitlements can only be used while employed by the Town and are not paid out upon retirement or termination of employment.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

7. Employee future benefits (continued):

Municipal Pension Plan

The Town and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The 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 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 government.

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 indicated an 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 Town paid \$131,500 (2009 - \$125,577) for employer contributions and Town employees paid \$127,077 (2009 - \$121,626) for employee contributions to the plan in fiscal 2010.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

8. Tangible capital assets:

	Land and improvements	Buildings and building improvements	Vehicles, machinery and equipment	Drainage and sewer infrastructure	Roads infrastructure	Assets under construction	Total 2010	Total 2009
Cost:								
Balance, beginning of year	\$34,659,284	9,010,137	5,021,042	29,701,265	36,861,956	693,803	\$115,947,487	\$114,826,560
Additions	1,591,841	515,104	357,830	179,198	773,213	4,620,767	8,037,953	1,835,701
Disposals	-	-	(625,160)	(52,918)	(22,303)	(122,598)	(822,979)	(714,774)
Balance, end of year	36,251,125	9,525,241	4,753,712	29,827,545	37,612,866	5,191,972	123,162,461	115,947,487
Accumulated amortization:								
Balance, beginning of year	1,566,500	2,701,990	3,101,223	4,385,215	11,746,516	-	23,501,444	21,678,825
Disposals	-	-	(624,694)	(4,269)	(9,367)	-	(638,330)	(108,377)
Amortization	42,677	258,142	302,383	324,830	990,528	-	1,918,560	1,930,996
Balance, end of year	1,609,177	2,960,132	2,778,912	4,705,776	12,727,677	-	24,781,674	23,501,444
Net book value, end of year	\$34,641,948	6,565,109	1,974,800	25,121,769	24,885,189	5,191,972	\$98,380,787	\$92,446,043

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

8. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction totaling \$5,191,972 (2009 - \$693,803) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed capital assets received during the year is \$1,857,279 (2009 - \$12,398) comprised of land (\$1,353,528), sewer and storm infrastructure (\$81,800) and roads infrastructure (\$421,951).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset has been recognized at a nominal value.

(d) Works of art and historical treasures:

The Town manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$62,051 (2009 - nil).

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

9. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2010	2009
		(Restated - note 2)
Surplus:		
Equity in tangible capital assets	\$ 97,679,305	\$ 91,605,524
Unrestricted general fund surplus	570,530	965,397
Unrestricted sewer fund surplus	1,080,141	956,222
Total surplus	99,329,976	93,527,143
Reserve funds set aside for specific purposes by Council:		
Capital Works and Land Acquisition	136,854	90,620
Fire Department Equipment	131,241	74,792
Machinery and Equipment Depreciation	21,677	61,999
Municipal Roads Capital	8,959	5,053
Parks and Open Space	245,932	207,595
Parks and Recreation Equipment	144,761	96,423
Police Equipment, Property and Contract	578,723	565,202
Police Operation and Maintenance	243,712	336,846
Road Trust	300,941	103,825
Sewer System Capital	1,102,357	1,198,034
Sewer System Equipment Replacement	51,911	48,914
Tax Sale Land	7,968	7,809
West Shore reserves	282,603	177,758
Total reserve funds	3,257,639	2,974,870
	\$102,587,615	\$ 96,502,013

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

10. Net taxes available for municipal purposes:

The Town is required to collect taxes on behalf of and transfer these amounts to the government agencies noted below. Taxes levied over or under the amounts requisitioned are recorded as accounts payable or receivable.

	2010	2009
Taxes		
Property taxes	\$ 11,028,978	\$ 10,160,232
Revenues in lieu of taxes	167,651	191,475
1% utility taxes	108,720	103,774
	11,305,349	10,455,481
Less taxes levied for other authorities:		
School authorities	4,129,580	3,929,044
Capital Regional District	826,113	837,008
Capital Regional Hospital District	580,830	438,957
BC Transit	416,768	365,114
BC Assessment Authority	138,103	127,855
Municipal Finance Authority	397	376
	6,091,791	5,698,354
Net taxes available for municipal purposes	\$ 5,213,558	\$ 4,757,127

11. Commitments and contingencies:

- (a) The Capital Regional District ("CRD") debt, under provisions of the Local Government Act, is a direct, joint and several liability of the CRD and each member municipality within the CRD, including the Town.
- (b) The Town is a shareholder and member of the Capital Region Emergency Service Telecommunications ("CREST") Incorporated which provides centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

11. Commitments and contingencies (continued):

- (c) The Town is a defendant in various lawsuits. The Town records an accrual in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. The Town is self-insured through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$10,000. Should the Association pay out claims in excess of premiums received, it is possible that the Town, along with the other participants, would be required to contribute towards the deficit.

A lawsuit has been initiated against the Town alleging significant financial losses by the claimant as a result of alleged fraudulent misrepresentation by representatives of the Town. The Town has denied these claims and represented by insurers is vigorously defending the lawsuit.

- (d) Under borrowing arrangements with the MFA, the Town is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are included in the Town's financial assets as restricted cash and are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the Town. At December 31, 2010 there were contingent demand notes of \$96,469 (2009 - \$96,469) which are not included in the financial statements of the Town.
- (e) The Town entered into a long-term contract with the Royal Canadian Mounted Police for the provision of police services. Under the terms of this contract, the City is responsible for 70% of policing costs. The 2011 estimated cost of this contract is \$860,000.

12. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2010 operating and capital budgets approved by Council on April 20, 2010, adjusted to reflect West Shore proportionately consolidated budgeted revenues and expenses. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

12. Budget data (continued):

	Budget amount
Revenues:	
Operating budget	\$ 21,808,863
West Shore	910,347
Total revenue	22,719,210
Expenses:	
Operating budget	10,610,368
West Shore	1,147,513
Total expenses	11,757,881
Annual surplus	\$ 10,961,329

13. West Shore Parks and Recreation Society:

(a) Capital asset transfer:

The lands and facilities comprising the Juan de Fuca Recreation Centre are owned by the member municipalities (the "Municipalities") in their proportionate share, as specified in the Co-Owners' Agreement. The Town became party to the agreement effective January 1, 2007. Future improvements are allocated among the partners as per the cost sharing formula in effect each year for each service or facility, as outlined in a Members' Agreement. For 2010, the Town's share of improvements purchased by the Society on its behalf is \$542,859 (2009 - \$71,778).

Because the cost sharing formula in the Members' Agreement produces different cost shares for the members from year-to-year, there is a gain or loss on the opening fund balances. In 2010, the Town recorded a gain of \$119,404 (2009 - a loss of \$564,221).

The repayment of the long-term debt associated with the transferred assets will continue to be a regional function, in accordance with the terms of an Agreement to Transfer between the CRD, the Municipalities and the Society. The debt payments are charged to the Municipalities as part of the CRD's annual requisition. The maturity dates of the various borrowings range from 2012 through 2014.

The participating Municipalities have each become members in the Society, which was incorporated to provide parks, recreation and community services to the Municipalities under contract. Under terms of an Operating, Maintenance and Management Agreement, the Society is responsible to equip, maintain, manage and operate the facilities located at the recreation centre.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

13. West Shore Parks and Recreation Society (continued):

(b) Consolidation:

Financial results and budget for the Society are consolidated into the Town's financial statements proportionately, based on the cost sharing formula outlined in the Members' Agreement. In 2010, the Town's proportion for consolidation purposes was 14.350% (2009 - 14.109%). Condensed financial information for the Society is as follows:

	2010	2009
Financial assets	\$ 2,809,521	\$ 3,085,770
Financial liabilities	2,205,113	1,841,117
Net financial assets	604,408	1,244,653
Non-financial assets	795,491	758,343
Accumulated surplus	\$ 1,399,899	\$ 2,002,996
Revenues	\$ 7,051,888	\$ 5,501,066
Requisition for members	4,163,307	3,647,206
	11,215,195	9,148,272
Expenses	7,654,985	5,623,643
Requisition for members	4,163,307	3,647,206
	11,818,292	9,270,849
Annual deficit	\$ (603,097)	\$ (122,577)

14. Segmented information:

The Town is a diversified municipal organization that provides a wide range of services to its citizens. Town services are provided by departments and their activities reported separately. Certain functions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government

The general government operations provide the functions of corporate administration, finance, human resources and legislative services and any other functions categorized as non-departmental.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

14. Segmented information (continued):

Protective services

Protective Services includes the View Royal Fire Rescue which is a paid / composite fire department responsible to provide fire suppression service, fire inspections of public buildings, and training and education of volunteer firemen as well as the citizens of View Royal. In addition, it also includes policing provided by the RCMP, emergency planning, animal control and the maintenance and enforcement of building and construction bylaws as well as all other municipal bylaws.

Fire protection services are provided to the Songhees and Esquimalt First Nation communities under contract.

Transportation services

Transportation services is comprised of a wide variety of services such as the annual maintenance of all municipally owned roads and bridges, sidewalks, street signage, boulevards, bus shelters, street lighting and traffic signals.

Environmental health services

Environmental health services are comprised of the following services:

- Solid Waste Management – providing the service of solid waste collection and disposal to the citizens of View Royal.
- Liquid Waste Management (Sewer) Services – providing the removal of the Town's waste water (sewage).
- Storm Drainage – design, inspection and maintenance of the storm drain collection systems.

Planning and development services

Environmental development services include all land use, planning and zoning issues in the Town of View Royal.

Recreation and cultural services

Recreation and culture is comprised of services meant to improve the health and development of the citizens of View Royal.

This segment includes maintenance and development of all parks and green space within the Town of View Royal as well as the Town's financial contribution to the services provided by the Greater Victoria Public Library and the West Shore Parks and Recreation Society.

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

14. Segmented information (continued):

2010	General Government	Protective Services	Transportation Services	Environmental Health Services	Planning and Development Services	Recreation and cultural	Total
Revenue:							
Taxation	\$ 755,362	\$ 1,834,270	\$ 1,824,319	\$ -	\$ 294,804	\$ 504,803	\$ 5,213,558
User charges	23,791	642,642	28,782	1,000,049	65,187	-	1,760,451
Developer contributions	107,193	-	451,776	498,100	-	1,043,135	2,100,204
Developer charges earned	-	-	197,487	5,575	-	20,192	223,254
Other	823,437	51,206	-	-	-	-	874,643
Investment income	79,497	19,912	5,330	41,469	-	6,197	152,405
Penalties	57,457	-	-	-	-	-	57,457
Interest earned - sinking fund	-	-	27,523	-	-	-	27,523
Government transfers	584,560	58,155	4,836,528	97,174	64,357	969,890	6,610,664
Total revenue	2,431,297	2,606,185	7,371,745	1,642,367	424,348	2,544,217	17,020,159
Expenses:							
Salaries and wages	804,691	1,052,787	166,717	179,755	321,650	1,354,466	3,880,066
Contracted and general services	252,201	1,167,487	1,202,480	555,855	12,951	668,442	3,859,416
Supplies and utilities	81,026	96,590	127,658	26,227	724	82,180	414,405
Other	481,167	186,969	86,385	61,299	89,023	13,278	918,121
Amortization	155,113	172,876	999,489	378,632	1,316	211,134	1,918,560
Change in proportionate share of West Shore	-	-	-	-	-	(119,404)	(119,404)
Debt services	-	2,628	60,765	-	-	-	63,393
Total expenses	1,774,198	2,679,337	2,643,494	1,201,768	425,664	2,210,096	10,934,557
Annual surplus (deficit)	\$ 657,099	\$ (73,152)	\$ 4,728,251	\$ 440,599	\$ (1,316)	\$ 334,121	\$ 6,085,602

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

14. Segmented information (continued):

2009	General Government	Protective Services	Transportation Services	Environmental Health Services	Planning and Development Services	Recreation and cultural	Total
Revenue:							
Taxation	\$ 762,765	\$ 1,735,399	\$ 1,514,401	\$ -	\$ 258,982	\$ 485,580	\$ 4,757,127
User charges	-	360,842	70,987	906,497	71,462	-	1,409,788
Developer contributions	-	-	193,760	-	-	-	193,760
Donations	7,589	-	-	-	-	-	7,589
Developer charges earned	-	-	-	58,256	-	53,797	112,053
Other	5,938	51,206	-	-	-	767,566	824,710
Investment income	195,866	-	-	33,906	-	-	229,772
Penalties	94,913	-	-	-	-	-	94,913
Interest earned - sinking fund	-	-	20,219	-	-	-	20,219
Government transfers	779,246	61,685	1,477,333	102,707	105,667	983,068	3,509,706
Total revenue	1,846,317	2,209,132	3,276,700	1,101,366	436,111	2,290,011	11,159,637
Expenses:							
Salaries and wages	829,107	912,778	165,406	190,103	293,560	713,177	3,104,131
Contracted and general services	260,173	859,349	1,527,289	531,882	129,183	1,022,098	4,329,974
Supplies and utilities	86,867	89,731	106,461	38,755	1,646	147,311	470,771
Other	485,271	175,085	79,902	50,891	11,722	193,764	996,635
Amortization	96,368	166,666	1,247,076	210,185	-	210,702	1,930,997
Change in proportionate share of West Shore	-	-	-	-	-	580,344	580,344
Total expenses	1,757,786	2,203,609	3,126,134	1,021,816	436,111	2,867,396	11,412,852
Annual surplus (deficit)	\$ 88,531	\$ 5,523	\$ 150,566	\$ 79,550	\$ -	\$ (577,385)	\$ (253,215)

TOWN OF VIEW ROYAL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

15. Comparative figures:

Certain 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.