Bowen Island Municipality
Financial Statements
For the year ended December 31, 2010

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Independent Auditor's Report

To the Mayor and Councilors of
Bowen Island Municipality

We have audited the accompanying consolidated financial statements of Bowen Island Municipality, which comprise the Consolidated Statement of Financial Position as at December 31, 2010, the Consolidated Statement 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 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.

Auditor's 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 the auditor's 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, the auditor considers 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 Bowen Island Municipality as at December 31, 2010 and its consolidated results of operations and its consolidated cash flows for the year then-ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
May 24, 2011

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Bowen Island Municipality
Consolidated Statement of Financial Position

December 31	2010	2009
Financial Assets		
Cash	$ 556,773	$ 213,521
Accounts receivable (Note 1)	1,864,274	988,896
Portfolio investments (Note 2)	4,732,216	6,280,900
	7,153,263	7,483,317
Liabilities		
Accounts payable and accrued liabilities	787,735	436,241
Deferred revenue (Note 6)	712,454	850,140
Obligation under capital lease (Note 4)	4,925	9,617
Interim financing (Note 4)	2,000,000	2,000,000
Long-term debt (Note 4)	283,616	319,071
	3,788,730	3,615,069
Net Financial Assets	3,364,533	3,868,248
Non-Financial Assets		
Tangible capital assets (Note 3)	47,859,403	46,470,590
Prepaid expenses	35,109	22,231
	47,894,512	46,492,821
Accumulated Surplus (Note 5)	$51,259,045	$ 50,361,069

KBlow Chief Financial Officer

Mayor

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

Bowen Island Municipality
Consolidated Statement of Operations

For the year ended December 31	Fiscal Plan 2010 (Note 17)	2010	2009
Revenue (Schedule 1 and 2)			
Taxation, net (Note 7)	**$ 3,267,467**	**$ 3,267,878**	$ 3,107,694
Parcel taxes (Note 7)	**687,815**	**684,810**	689,219
Grants in lieu of taxes	**8,507**	**4,109**	3,896
Utility connection fees and user rates	**734,521**	**726,503**	709,545
Government grants - Federal (Note 14)	**1,430,298**	**794,297**	158,773
Government grants - Provincial (Note 14)	**910,312**	**322,268**	774,618
Other grants (Note 14)	**10,500**	**5,485**	66,111
Sales of services (Note 15)	**334,556**	**335,868**	327,084
Other (Note 15)	**624,745**	**843,421**	781,256
	8,008,721	**6,984,639**	6,618,196
Expenses (Schedule 1 and 2)			
General departmental expenses (Note 16)	**5,482,190**	**4,827,174**	4,844,821
Water systems operations	**915,974**	**844,137**	866,837
Sewer system operations	**164,493**	**144,188**	148,062
Library operations	**199,784**	**208,272**	-
Debt interest	**75,557**	**54,594**	65,852
Disposal of tangible capital assets	**-**	**8,298**	-
	6,638,214	**6,086,663**	5,925,572
Annual Surplus	**1,370,507**	**897,976**	692,624
Accumulated Surplus, beginning of year	**50,361,069**	**50,361,069**	49,668,445
Accumulated Surplus, end of year	**$51,731,576**	**$51,259,045**	$ 50,361,069

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

Bowen Island Municipality
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Fiscal Plan 2010 (Note 17)	2010	2009
Annual surplus	**$ 1,370,507**	**$ 897,976**	$ 692,624
Acquisition of tangible capital assets	**(4,304,485)**	**(2,472,463)**	(1,600,717)
Amortization of tangible capital assets	**976,108**	**1,075,352**	976,109
Disposal of tangible assets	**-**	**8,298**	-
	(3,328,377)	**(1,388,813)**	(624,608)
Acquisition of prepaid expenses	**-**	**(35,109)**	(22,232)
Use of prepaid expenses	**-**	**22,231**	-
Change in net financial assets for the year	**(1,957,870)**	**(503,715)**	45,784
Net financial assets, beginning of year	**3,868,248**	**3,868,248**	3,822,464
Net financial assets, end of year	**$ 1,910,378**	**$ 3,364,533**	$ 3,868,248

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

Bowen Island Municipality
Consolidated Statement of Cash Flows

For the year ended December 31	2010	2009
Cash provided by (used in)		
Operating activities		
Annual surplus	**$ 897,976**	$ 692,624
Items not involving cash		
Amortization	**1,075,352**	976,109
Disposal of tangible capital asset	**8,298**	-
Value of library tangible capital assets upon contribution	**(37,122)**	-
	1,944,504	1,668,733
Changes in non-cash operating balances		
Accounts receivable	**(875,378)**	(295,593)
Accounts payable and accrued liabilities	**351,494**	(34,113)
Deferred revenue	**(137,686)**	246,852
Prepaid expenses	**(12,878)**	(22,231)
	1,270,056	1,563,648
Capital transactions		
Cash used to acquire tangible capital assets	**(2,435,341)**	(1,600,717)
Investing activity		
Proceeds from disposition of portfolio investments	**1,548,684**	87,676
Financing activity		
Repayment of long-term debt	**(35,455)**	(33,343)
Capital lease repayments	**(4,692)**	(4,486)
	(40,147)	(37,829)
Increase in cash during the year	**343,252**	12,778
Cash, beginning of year	**213,521**	200,743
Cash, end of year	**$ 556,773**	$ 213,521
Supplemental information:		
Interest paid	**$ 54,593**	$ 65,853

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

Bowen Island Municipality (the "Municipality") is an Island municipality in the province of British Columbia. The Municipality was established pursuant to an Order of the Lieutenant Governor in Council effective December 4, 1999 and operates under the provisions of the Community Charter. The Municipality provides municipal services such as fire, public works, planning, parks, recreation and other general government services. The Municipality owns and operates seven Local Area Services for Water and one Local Area Service for Sewer, each of which provide service to properties within a discrete geographic area, and which are funded by the properties within those boundaries. The consolidated financial statements include the accounts of all the funds of the Municipality and the accounts of Bowen Island Library Association effective January 1, 2010.

The Municipality prepares its consolidated financial statements in accordance with Canadian public sector accounting standards using guidelines developed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Services, assets, liabilities, fund balances and reserves were transferred to the Municipality pursuant to the Letters Patent from the aforementioned Order-in-Council that incorporated the Municipality. Such transfers were made from the Greater Vancouver Regional District and the Bowen Island Fire Protection District in 2000; Bluewater Park and Hood Point Water Improvement Districts were transferred on August 1, 2002; Bowen Bay, Eagle Cliff and Tunstall Bay Water Improvement Districts were transferred on January 1, 2003. The Municipality is a member municipality of the Greater Vancouver Regional District and of the Islands Trust and has various responsibilities to both entities.

Non-Financial Assets

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

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.

Tangible Capital Assets

Estimated useful lives of tangible capital assets are as follows:

Land improvements	15 to 30 years
Buildings	20 to 50 years
Sewer treatment plant	15 to 56 years
Equipment, Furniture, and Vehicles	8 to 20 years
Infrastructure - water	5 to 100 years
Infrastructure - sewer	5 to 100 years
Roads	10 to 75 years
Other	10 to 60 years

Revenue Recognition

Taxes and parcel taxes are recognized as revenue in the year they are levied.

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.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Sales of service and other revenue is recognized on an accrual basis

Government Transfers

Government transfers, which include legislative grants, are recognized in the consolidated financial statements when received or receivable unless the transfer contains stipulations that create a liability in which case the transfer is recognized as the liability is extinguished.

Portfolio Investments

Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Use of Estimates

The preparation of the consolidated 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 consolidated 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.

Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Municipality and the obligation, including interest thereon, is repaid over the term of the lease. All other leases are accounted for as operating leases and the rental costs are expensed as incurred.

Collection of Taxes on Behalf of Other Taxation Authorities

The Municipality collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these consolidated financial statements.

Unearned Revenue

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 consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

1. Accounts Receivable

	2010	2009
General		
Goods and services tax and HST receivable	**$ 193,430**	$ 79,394
General accounts receivable	**17,661**	35,172
Taxes receivable	**387,034**	359,907
Grant receivable	**81,620**	186,343
	679,745	660,816
Water		
Provincial grants receivable	**-**	22,680
User rates receivable	**235,434**	215,950
	235,434	238,630
Sewer		
Sewer Infrastructure grants receivable	**866,724**	-
User rates receivable	**82,371**	89,450
	$ 1,864,274	$ 988,896

2. Portfolio Investments

	2010	2009
MFA short-term bond fund	**$ 4,190,619**	$ 5,153,333
MFA money market fund	**541,597**	1,127,567
	$ 4,732,216	$ 6,280,900

Short term bonds and money market funds include bank issued notes, bonds and Provincial bonds and debentures. The current yield of the bond fund is 3.64% (2009 - 7.34%) with maturities ranging from May 2011 to December 2027. The current yield of the money market fund is 0.61% (2009 - 1.07%) and are redeemable at any time.

3. Tangible Capital Assets

	Land	Land Improvements	Buildings	Sewer Treatment Plant	Equipment & Furniture & Vehicle	Water Infrastructure	Sewer Infrastructure	Roads	Other	**2010 Total**	2009 Total
Cost, beginning of year	$ 21,845,251	$ 239,350	$ 1,285,408	$ 451,977	$ 5,230,252	$ 12,443,692	$ 1,254,000	$ 13,114,182	$ 1,280,260	**$57,144,372**	$ 55,543,655
Additions		134,034	-	1,286,695	369,368	20,456	-	434,579	227,331	**2,472,463**	1,600,717
Disposals		-	-	-	(23,350)	-	-	-	-	**(23,350)**	
Cost, end of year	21,845,251	373,384	1,285,408	1,738,672	5,576,270	12,464,148	1,254,000	13,548,761	1,507,591	**59,593,485**	57,144,372
Accumulated amortization, beginning of year	-	71,780	787,947	93,759	2,789,707	2,138,403	93,786	4,557,538	140,862	**10,673,782**	9,697,673
Amortization	-	16,771	35,360	19,677	281,327	247,255	15,893	396,265	62,804	**1,075,352**	976,109
Disposals	-	-	-	-	(15,052)	-	-	-	-	**(15,052)**	-
Accumulated amortization, end of year	-	88,551	823,307	113,436	3,055,982	2,385,658	109,679	4,953,803	203,666	**11,734,082**	10,673,782
Net carrying amount, end of year	$ 21,845,251	$ 284,833	$ 462,101	$ 1,625,236	$ 2,520,288	$ 10,078,490	$ 1,144,321	$ 8,594,958	$ 1,303,925	**$47,859,403**	$ 46,470,590

4. Debt

(a) Obligation under capital lease for equipment:

The future minimum lease payments due under capital lease are as follows:

2011	$	5,029
Less: amount representing interest at 4.5%		(104)
Present value of minimum lease payments	$	4,925

(b) Long-term debt:

Purpose		Maturity	Interest	2010 **Principal**	2009 Principal
Cove Bay Water Local Service Area					
(i) Bylaw 837	Queen Charlotte Hts	2019	5.99%	**$ 248,497**	$ 270,482
Eagle Cliff Water Local Service Area					
(ii) Bylaw 60	Water system	2012	9.41%	**25,750**	30,297
				274,247	300,779
Snug Cove Sewer Local Service Area					
(i) Bylaw 610	Sewer Collection	2011	4.50%	**9,369**	18,292
				$ 283,616	$ 319,071

(i) Greater Vancouver Regional District Bylaw
(ii) Eagle Cliff Improvement District Bylaw

4. Debt (Continued)

(c) Long-term debt - future principal payments on existing debt:

2011	$	19,931
2012		35,746
2013		14,471
2014		14,471
2015		14,471
Thereafter		57,883
		156,973
Actuarial additions		126,643
	$	283,616

Actuarial additions represent projected earnings on sinking fund deposits.

(d) Interim financing:

Assent of the electors was obtained, through a referendum held April 30, 2005, for "Bowen Island Municipality GVRD Non-Parks Land Acquisition, Loan Authorization Bylaw No. 141, 2005".

Loan Authorization Bylaw No. 141, provided the authority for the Municipality to borrow up to $2,035,623 to acquire approximately 38 acres of land from the Greater Vancouver Regional District.

In the interim of processing the long term debenture debt, the Municipality adopted a temporary borrowing bylaw (No. 171), later replaced by Bylaw 291 in December 2010, to finance the land acquisition. Presently, the Municipality is undertaking sewer treatment plant upgrades. Upon completion of the upgrades, the intent is to sell some lands that may be determined to be surplus to municipal needs. The proceeds from the sale of any such lands are to be used first to reduce or extinguish the principal balance of the temporary borrowing. The temporary financing will continue until such time as short term interest rates rise significantly, or that the Municipal Finance Authority requires that the temporary loan be converted to long term debenture debt. In the interim, interest only payments will be made on the temporary borrowing. As at December 31, 2010, the outstanding balance on the loan was $2,000,000 (2009 - $2,000,000).

5. Accumulated Surplus

The Municipality segregates its accumulated surplus in the following categories:

	2010	2009
Current Fund	**$ 2,443,099**	$ 3,082,131
Reserve Fund	**3,203,346**	3,108,407
Capital Fund	**6,667**	6,436
Investment in non-financial assets	**45,605,933**	44,164,095
	$51,259,045	$ 50,361,069

(a) Reserve Fund

The reserve fund represents funds set aside by bylaw for specific purposes. Details of reserve funds are shown below:

	2010	2009
Fire Protection Reserve Fund		
Fire Protection Reserve, Bowen Island Fire Protection District Bylaw 27, 1984 was transferred from the predecessor entity, Bowen Island Fire Protection District in the amount of $103,595.		
The Fire Protection Reserve Fund was created by Bowen Island Bylaw No. 12, 2000 under the authority of Section 496 of the Local Government Act. Funds in this reserve are restricted for use as to fire protection equipment.	**$ 374,608**	$ 279,564
Recreation and Other Community Use Reserve Fund		
Recreation and Other Community Use Reserve Fund, GVRD Bylaw 715, was transferred from the predecessor entity, GVRD in the amount of $117,962.		
The Recreation and Other Community Use Reserve Fund was created by Bowen Island Bylaw 17, 2000 under the authority of Section 496 of the Local Government Act. Funds in this reserve are restricted for use as to capital works or equipment for Recreation and Community use.	**738,791**	640,351
Carried forward	**$ 1,113,399**	$ 919,915

5. Accumulated Surplus (Continued)

(a) Reserve Fund

	2010	2009
Brought forward	**$ 1,113,399**	$ 919,915
Community Parks Reserve Fund		
Community Parks Reserve Fund, GVRD Bylaw 717, was transferred from the predecessor entity, GVRD in the amount of $280,035.		
Community Parks Reserve Fund was created by Bowen Island Bylaw 16, 2000 under the authority of Section 496 of the Local Government Act. Funds in this reserve are restricted for use as to capital works or equipment with respect to Community Parks.	**412,271**	531,289
Cove Bay Water System Reserve Fund		
Cove Bay Water System Reserve Fund, GVRD Bylaw 703, was transferred from the predecessor entity, GVRD in the amount of $297,848.		
Cove Bay Water System Reserve Fund was created by Bowen Island Bylaw 19, 2000 under the authority of Section 496 of the Local Government Act. Funds in this reserve are restricted for use as to capital works or equipment with respect to the Cove Bay Water System.	**1,112,879**	1,078,113
Mount Gardner Dock Reserve Fund		
Mount Gardner Dock Reserve Fund, GVRD Bylaw 879, was transferred from the predecessor entity, GVRD in the amount of $22,105.		
Mount Gardner Dock Reserve Fund was created by Bowen Island Bylaw 18, 2000 under the authority of Section 496 of the Local Government Act. Funds in this reserve are restricted for use as to capital works or equipment with respect to the Mount Gardner Dock.	**35,337**	34,111
Tax Sale and Sinking Fund Surplus		
Reserve established pursuant to Section 498 of the Local Government Act. Funds in this reserve are to be used for payment of sinking fund, debt, or capital amounts. Balance represents sinking fund surplus on debt retirement.	**-**	27,447
Carried forward	**$ 2,673,886**	$ 2,590,875

5. Accumulated Surplus (Continued)

	2010	2009
(a) Reserve Fund (Continued)		
Brought forward	**$ 2,673,886**	$ 2,590,875
Equipment Replacement Reserve Fund		
The Equipment Replacement Reserve Fund was created by Bowen Island Bylaw No. 134 under the authority of Section 188 of the Community Charter. Funds in this reserve are restricted for use as to replacement of municipal mobile equipment.	**162,452**	149,611
Roads Maintenance and Renewal Reserve Fund		
The Roads Maintenance and Renewal Reserve Fund was created by Bowen Island Bylaw No. 135 under the authority of Section 188 of the Community Charter. Funds in this reserve are restricted for use as to maintenance, renewal or construction of municipal road works.	**190,740**	271,369
Parkland Reserve Fund		
The Parkland Reserve Fund was created under the authority of Section 921 (12) of the Local Government Act. Funds in this reserve are restricted for the purpose of acquiring parkland.	**63,736**	61,525
Capital Replacement and Renewal Fund		
The Capital Replacement and Renewal Fund was established under the authority of Section 188 of the Community Charter. Funds in this reserve are restricted for the purpose of acquiring replacement capital equipment and infrastructure renewal.	**112,532**	35,027
	$ 3,203,346	$ 3,108,407

6. Deferred Revenue

(a) Deferred Revenue

The Municipality holds funds that have been received for a specific purpose or project that will take place in a future fiscal period. Amounts required will be taken into income in the future when they are needed to fund a project or fulfil the purpose for which the money was received. In the event that it is determined that the purpose for which the funds were received cannot be fulfilled such funds will be returned to the contributor.

	2010	2009
General Current Fund		
Civic facilities - Greenways donation	**$ 172,665**	$ 197,849
Cape Roger Curtis infrastructure funds	**-**	123,125
Conservation initiatives - Bowen Island Conservancy	**33,000**	33,000
Killarney Lake/Hiker's Trail	**10,000**	10,000
Amenity donation - Skateboard Park	**10,000**	10,000
Amenity donation - Civic Facilities - Arts	**10,000**	10,000
Other	**40,371**	54,474
	276,036	438,448
Development Cost Charges - Parks	**186,035**	178,521
	462,071	616,969
Water Current Fund		
Capital Expenditure Charges	**250,383**	233,171
	$ 712,454	$ 850,140

(b) Refundable Deposits

Bowen Island Municipality Building Bylaw No. 65, 2002 authorizes that applicants for building permits pay a deposit in the amount of 1% of the construction value. The deposit less any additional charges incurred after the permit issue date is refunded upon the conclusion of the permit process or when an occupancy permit is issued. Total cash on hand for such deposits amounted to $233,851 at December 31, 2010 (2009 - $242,769).

Bowen Island Municipality Development Application Fees Bylaw 11, 2000, authorizes that applicants for various land development processes pay a deposit amount as described in the bylaw. The deposits are refundable under certain conditions as set out in the bylaw. Total cash on hand for such deposits amounted to $207,473 at December 31, 2010 (2009 - $260,688).

The Municipality holds deposits under a variety of work permits that are refundable upon acceptable completion of works for which the permits were issued. Total cash on hand for such deposits amounted to $49,170 at December 31, 2010 (2009 - $110,877) .

Any portion of these deposits that is used for replacing damaged works or property or for the recovery of other expenses will be taken into income by the Municipality at such time as the amounts are charged. The above deposits are not included in the cash nor the liabilities of the Municipality.

7. Taxation - Net

	Fiscal Plan 2010	2010	2009
General municipal purposes	$ 3,225,112	$ 3,225,663	$ 3,067,573
Collections for other governments			
Province of British Columbia - school tax	-	2,333,217	2,338,459
Islands Trust	-	224,664	208,742
Greater Vancouver Regional District	-	106,422	105,209
Greater Vancouver Transit Authority	-	645,386	644,277
Municipal Finance Authority	-	325	335
British Columbia Assessment Authority	-	109,658	109,191
Police Tax	-	266,977	247,724
	3,225,112	6,912,312	6,721,510
Transfers			
Province of British Columbia - school tax	-	2,333,217	2,338,459
Islands Trust	-	224,664	208,742
Greater Vancouver Regional District	-	106,422	105,209
Greater Vancouver Transit authority	-	645,386	644,277
Municipal Finance Authority	-	325	335
British Columbia Assessment Authority	-	109,658	109,191
Police Tax	-	266,977	247,724
	-	3,686,649	3,653,937
Available for general municipal purposes	3,225,112	3,225,663	3,067,573
Payments in lieu of taxes	42,355	42,215	40,121
	3,267,467	3,267,878	3,107,694
General parcel taxes			
Garbage	384,060	389,240	357,245
Community Parks	207,600	210,400	206,500
Water parcel and other taxes	91,475	80,490	120,758
Sewer parcel taxes	4,680	4,680	4,716
	687,815	684,810	689,219
	$ 3,955,282	$ 3,952,688	$ 3,796,913

8. Contingent Liabilities

(a) The Municipality is responsible as a member of the Greater Vancouver Regional District for its share of any operating deficits or long-term debt related to functions in which it participates.

(b) The Municipality is partially self-insured through the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible that the Municipality along with the other participants, would be required to contribute towards the deficit.

(c) The Municipality's debt instruments that originated with the GVRD are issued through the Municipal Finance Authority. A portion of the debenture proceeds is withheld by the Municipal Finance Authority as a debt reserve fund as a condition of these borrowings. These funds, which total $11,412 (2009 - $11,053), are not reflected in these consolidated financial statements.

The Municipality also executes demand notes in connection with each debenture whereby the Municipality may be required to loan amounts to the Municipal Finance Authority. The demand notes, which total $21,859 (2009 - $21,859), are contingent in nature and are not reflected in these consolidated financial statements.

(d) From time to time, the Municipality may be named in lawsuits. At any given point in time, there may be a few lawsuits pending in which the Municipality is involved. It is considered that the potential claims against the Municipality resulting from litigation and not covered by insurance would not materially affect these consolidated financial statements.

9. Commitments

The Municipality entered into a lease for the Municipal Hall at an approximate annual cost of $81,000. The three-year lease expires October 31, 2011 and has an option to renew for a further two years.

10. Pension Plan

The Municipality and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly-trusteed 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 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 indicates an unfunded liability of $1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The Municipality paid $101,833 for employer contributions to the plan in the year ended December 31, 2010 (2009 - $79,666) while employee contributions totaled $95,752 (2009 - $75,511).

11. Latecomers Agreement

The Municipality has entered into Latecomers Agreements, in accordance with the Local Government Act Section 939, for excess or extended services and latecomer payments. Such agreements are a mechanism by which a developer, who was required to provide extended services, is reimbursed for the cost of providing those services.

Bowen Bay Water

A developer was required, as a condition of specified area boundary expansion, to provide excess water capacity services in the Bowen Bay Water Improvement District. As a result, the lands designated as benefiting from the provision of excess capacity will be required to pay a specified portion of the cost of construction of the services plus interest, upon application to be included in the Bowen Bay Water Specified Area. Under this agreement the municipality is obligated to collect the amounts set out in the agreement plus interest from the owners of property designated as benefiting from the excess capacity.

The Agreement will expire on the earlier of December 3, 2012 or upon payment of the entire amount set out in the agreement plus interest at the rate of 0.25%. As at December 31, 2010, the amount payable to the developer (upon collection from the owners of benefiting property), including interest is $9,426 (2009 - $9,402). As this amount is recoverable from property owners, the amount payable is not recorded elsewhere in these consolidated financial statements.

12. Assistance Granted to Community Organizations

	2010	2009
Core Community Grants		
Bowen Island Arts Council	**$ 54,200**	$ 54,018
Bowen Island Historians Community Museum and Archives	**29,000**	17,680
Bowen Island Public Library Association	**-**	157,080
Bowen Island Recycling Depot Society	**5,000**	8,000
West Vancouver School District #45	**11,114**	11,114
	99,314	247,892
Other Grants		
Abbeyfield House of Bowen Island Society	**1,755**	1,684
Awesome Blue Bananas	**-**	700
Bowen Island Chamber of Commerce - Tourist Information	**-**	20,451
Bowen Island Community Fair Association	**2,000**	1,500
Bowen Island Community Foundation	**3,669**	-
Bowen Island Community Housing Association	**1,300**	-
Bowen Island Community School Association	**3,200**	8,500
Bowen Island Family Place Association	**10,750**	10,000
Bowen Island Gymnastics Club	**3,400**	-
Bowen Island Heritage Preservation Association	**-**	1,932
Bowen Island Memorial Garden Society	**-**	1,200
Bowen Island Teen Centre Society	**-**	3,885
Bowen Island United Church	**2,000**	-
Bowen Island Volunteer Fire Fighters	**2,000**	-
Bowen Island Yacht Club	**-**	400
Bowen Island Youth Service Providers	**-**	800
Knick Knack Nook	**-**	5,000
Fairweather Water System	**10,000**	-
One Day Bowen - Bowfeast	**1,025**	700
Tipton, Coral-Halloween Haunted House	**-**	600
Tir-na-nOg Theatre School Society	**7,000**	7,500
	48,099	64,852
	$ 147,413	$ 312,744

13. Tax Exemptions Granted by Council

	Value of Municipal Tax	Value of Other Taxing Authorities	**Total 2010**	2009
BC Camping and Recreation Guild for Christian Scientists	$ 2,553	$ 2,787	**$ 5,340**	$ 5,287
BC Camping and Recreation Guild for Christian Scientists	1,251	2,932	**4,183**	4,142
BC Camping and Recreation Guild for Christian Scientists	2,447	5,737	**8,184**	8,103
BC Camping and Recreation Guild for Christian Scientists	4,398	10,309	**14,707**	14,561
BC Camping and Recreation Guild for Christian Scientists	1,900	2,074	**3,974**	3,935
Bowen Island Chamber of Commerce	395	2,047	**2,442**	-
Bowen Island Historians	870	2,040	**2,910**	2,882
Bowen Island Preschool & Community Day Care Assoc.	2,529	13,086	**15,615**	15,461
Canadian National Institute for the Blind - Bowen Lodge	7,098	7,748	**14,846**	14,699
Cowan Point Utility	236	258	**494**	-
PAC #150 Royal Canadian Legion - Bowen Island	864	2,025	**2,889**	2,860
Rivendell Foundation	9,467	30,457	**39,924**	39,531
Smooth Stones Foundation Inc.	1,639	3,841	**5,480**	5,425
Smooth Stones Foundation Inc. Island Pacific School	2,409	12,465	**14,874**	14,727
The Roman Catholic Archbishop of Vancouver	575	1,348	**1,923**	1,903
The United Church of Canada	351	823	**1,174**	1,161
	$ 38,982	$ 99,977	**$ 138,959**	$ 134,677

14. Government Grants Received

	Fiscal Plan 2010	2010	2009
Government of Canada			
General			
Canada Day	$ -	$ 600	$ 800
Human Resources Development Canada			
Summer Students	7,180	3,040	2,880
	7,180	3,640	3,680
Capital			
Recreational Infrastructure Canada	255,000	82,222	155,093
Sewer Capital			
Building Canada Fund	1,168,118	708,435	-
	$ 1,430,298	$ 794,297	$ 158,773
Province of British Columbia			
General			
Small communities protection grant	$ 413,817	$ 113,419	$ 714,315
Orientation and energy efficient permit area	5,700	-	4,750
Provincial planning - Community action on energy efficiency	2,750	-	1,275
Miscellaneous grant	-	-	1,040
Fairweather water system grant	-	10,000	-
Infrastructure Planning - Green Infrastructure Standards II	7,500	(6,495)	-
Infrastructure Planning - Green Infrastructure Standards III	10,000	-	-
Emergency planning grant	-	-	4,325
Age friendly community planning	-	-	10,000
Climate Action Renewal Incentive Program	1,000	1,428	832
Torch relay grant	5,000	6,433	1,566
Smoke control measures	9,600	9,600	-
	455,367	134,385	738,103
Library fund			
Per-Capita provincial grant	10,000	10,824	-
Interlibrary loan grant	975	1,056	-
BC One card	6,175	7,400	-
Miscellaneous other library fund grants	6,175	8,694	-
	23,325	27,974	-
Water capital			
Infrastructure	1,620	1,620	36,515
Planning	30,000	-	-
	31,620	1,620	36,515
Carried forward	$ 510,312	$ 163,979	$ 774,618

14. Government Grants Received (Continued)

Brought forward	**$ 510,312**	**$ 163,979**	$ 774,618
Sewer capital			
Towns for Tomorrow	**400,000**	**158,289**	-
	$ 910,312	**$ 322,268**	$ 774,618
Other grants			
Sport Med BC	**$ 4,100**	**$ 2,085**	$ 2,200
MIA Risk Management	**1,400**	**-**	-
West Vancouver School Dist. #45 -Turf field	**-**	**-**	59,911
ICBC Road Improvement	**5,000**	**3,400**	4,000
	$ 10,500	**$ 5,485**	$ 66,111

15. Sale of Services and Other Revenue

	2010	2009
Sale of Services		
Garbage decal sales	**$ 115,302**	$ 107,810
Fire and other service inspections	**8,375**	4,480
Recreation programs	**174,733**	180,615
School tax administration fees	**4,600**	4,588
Dock rentals	**32,858**	29,591
	$ 335,868	$ 327,084
Other Revenues		
Current Funds		
Building and development permits	**$ 119,137**	$ 98,664
Land use development fees	**149,300**	144,598
Taxation interest and penalties	**76,377**	71,056
Return on investments	**117,762**	46,168
Value of library assets upon contribution	**110,156**	-
Donations	**48,386**	18,769
Other	**72,754**	163,102
	693,872	542,357
Reserve Fund investment income	**111,502**	235,810
Capital Fund other revenue	**37,816**	2,648
Capital Fund return on investments	**231**	441
	$ 843,421	$ 781,256

16. General Departmental Expenses

	Fiscal Plan 2010 (Note 17)	2010	2009
General government			
Council	$ 122,493	$ 131,328	$ 116,651
Administration	377,375	477,747	423,011
Finance	335,359	358,573	322,292
Community Grants (Note 12)	140,700	147,413	312,744
Insurance	29,000	28,772	29,744
Municipal hall rent, utilities & maintenance	103,827	112,026	120,369
Other general government	138,415	153,189	182,428
	1,247,169	1,409,048	1,507,239
Protective services			
Fire and emergency services	265,058	262,512	243,873
Building inspection	84,105	82,347	81,305
Bylaw enforcement	94,045	122,460	90,197
Other protective services	9,000	3,256	14,429
	452,208	470,575	429,804
Roads, drainage and infrastructure	759,076	580,568	695,825
Solid waste management	499,300	517,450	488,577
Community and strategic planning	493,564	410,950	414,974
Recreation and community services	586,629	608,912	678,411
Community parks	190,287	165,135	35,816
Amortization	565,292	664,536	594,175
	3,094,148	2,947,551	2,907,778
Total general departmental expenses	$ 4,793,525	$ 4,827,174	$ 4,844,821

17. Fiscal Plan

Fiscal plan amounts represent the Financial Plan By-Law adopted by Council in May 2010 with estimates for amortization of tangible capital assets.

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:

	2010	2009
Financial Plan Bylaw surplus for the year	$ -	$ -
Add:		
Capital expenditures	**4,304,485**	2,235,431
Less:		
Budgeted transfers from accumulated surplus	**(1,957,870)**	(1,055,995)
Amortization	**(976,108)**	(976,109)
	$ 1,370,507	$ 203,327

18. Segmented Information

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens such as fire, roads maintenance, recreation and garbage disposal. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government and Fiscal Services

General government and fiscal services is comprised of Council and the related support services provided by the Administration and Finance departments, as well as all operations and maintenance costs relating to Municipal Hall and grants to community organizations.

18. Segmented Information (Continued)

Fire and Emergency Services

This service is comprised of fire protection and emergency services. The fire department is responsible to provide fire suppression service, emergency first response, fire prevention programs, training and education. The Municipality employs a part-time chief and deputy chief, and part time training officer. All other members are volunteers.

Other Protective Services

Other protection is comprised of contract building inspection service, animal control and Bylaw Services.

Roads, Drainage and Infrastructure

This service is responsible for the maintenance of roads, drainage and ditches, docks and municipal building maintenance and operations.

Solid Waste Management

This service consists of providing waste disposal and recycling facilities to citizens.

Community and Strategic Planning

Community and Strategic planning services relate to land use development and planning, as well as implementation of the strategic plan as endorsed by Council.

Recreation and Community Services

This service area provides services meant to improve the health and well-being of the Municipality's citizens. Recreational programs include recreational sports activities, community events and operation of a youth drop-in centre. They are delivered at various facilities including the community school and teen centre.

Community Parks

This service consists of parks and field maintenance and operations, trail maintenance and maintenance of beach fronts and public access.

19. Expenditures by Object

	Operations	Capital Acquisitions	2010 Total	2009 Total
Goods and services	**$2,539,000**	**$2,472,463**	**$5,011,463**	$ 4,537,865
Labour	**2,417,716**	**-**	**2,417,716**	1,946,463
Debt charges - interest	**54,594**	**-**	**54,594**	65,852
Total expenditures	**5,011,310**	**2,472,463**	**7,483,773**	6,550,180
Amortization expense	**1,075,352**	**-**	**1,075,352**	976,109
Total expenditures and expenses	**$6,086,662**	**$2,472,463**	**$8,559,125**	$ 7,526,289

Bowen Island Municipality
Schedule 1 - Combined Statement of Operations by Segment

For the year ended December 31, 2010

	General Gov't & Fiscal Services	Fire & Emergency Services	Other Protective Services	Roads Drainage & Infrastructure	Solid Waste Management	Community & Strategic Planning	Recreation & Community Services	Community Parks	Library	Unallocated	Water Utilities	Sewer Utilities	**2010 Actual**	2010 Fiscal Plan
Revenues														
General taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,267,878	$ -	$ -	$ 3,267,878	$ 3,267,467
Parcel Taxes	-	-	-	-	389,240	-	-	210,400	-	-	80,490	4,680	684,810	687,815
Grants in lieu of taxes	-	-	-	-	-	-	-	-	-	4,109	-	-	4,109	8,507
Utility connection fees and User fees	-	-	-	-	-	-	-	-	-	-	591,313	135,190	726,503	734,521
Government Grants														
Federal (Note 14)	-	-	-	-	-	-	3,640	82,222	-	-	-	708,435	794,297	1,430,298
Provincial (Note 14)	124,847	-	-	-	-	3,105	6,433	-	27,974	-	1,620	158,289	322,268	910,312
Other (Note 14)	-	-	-	3,400	-	-	2,085	-	-	-	-	-	5,485	10,500
Sale of services (Note 15)	4,600	2,015	-	39,218	115,302	-	174,733	-	-	-	-	-	335,868	334,556
Other revenue (Note 15)	13,538	1,412	121,228	32,700	-	173,077	5,440	5,406	131,532	320,221	33,092	5,775	843,421	624,745
Total revenue	142,985	3,427	121,228	75,318	504,542	176,182	192,331	298,028	159,506	3,592,208	706,515	1,012,369	6,984,639	**8,008,721**
Expenses														
Operating														
Salary & Benefits	807,089	173,987	142,802	294,014	-	181,620	332,769	117,865	124,105	-	228,532	14,933	2,417,716	2,860,493
Travel, conventions, education and training	18,276	16,967	2,945	8,432	-	4,920	7,284	-	1,734	-	9,871	4,447	74,876	75,035
Operation goods and services	135,179	10,608	4,862	80,216	-	18,326	49,943	8,067	18,483	-	88,102	942	414,728	423,382
Communication & information systems	58,370	14,766	2,023	5,748	-	-	7,692	-	21,072	-	2,706	1,449	113,826	83,955
Contract Services - professional	89,885	-	128	5,642	-	12,503	-	5,393	850	-	9,980	105	124,486	160,107
Contract services - operational	5,137	-	51,447	-	514,554	43,453	100,482	-	2,676	-	97,361	60,834	875,944	1,041,592
Insurance and Licenses	28,772	3,083	-	-	-	-	589	-	3,291	-	19,006	1,654	56,395	58,530
Maintenance - buildings, equipment, infrastructure	25,343	41,109	600	186,519	-	-	12,067	15,118	7,957	-	18,941	5,563	313,217	223,658
Rents	84,319	-	-	-	-	-	98,086	-	-	-	-	-	182,405	125,242
Utilities	5,577	5,247	-	-	-	-	-	-	3,975	-	31,397	5,813	52,009	49,346
Projects and planning	-	-	-	-	-	150,128	-	-	-	-	-	-	150,128	209,748
Other operational expenses	3,688	-	-	-	2,896	-	-	18,692	-	-	-	-	25,276	127,852
Debt interest	28,788	-	-	-	-	-	-	-	-	-	20,289	5,517	54,594	75,557
Grants to Community (Note 12)	147,413	-	-	-	-	-	-	-	-	-	-	-	147,413	140,700
Internal recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	6,909
Disposal of tangible capital asset	-	-	-	-	-	-	-	-	-	8,298	-	-	8,298	-
Amortization	36,174	67,828	-	502,208	-	-	3,714	54,610	24,129	-	338,241	48,448	1,075,352	976,108
Total Expenses	1,474,010	333,595	204,807	1,082,779	517,450	410,950	612,626	219,745	208,272	8,298	864,426	149,705	6,086,663	6,638,214
Excess (deficiency) in revenues over expenses	$(1,331,025)	$ (330,168)	$ (83,579)	$(1,007,461)	$ (12,908)	$ (234,768)	$ (420,295)	$ 78,283	$ (48,766)	$ 3,583,910	$ (157,911)	$ 862,664	$ 897,976	$ 1,370,507

Bowen Island Municipality
Schedule 2 - Combined Statement of Operations by Segment

For the year ended December 31, 2009

	General Gov't & Fiscal Services	Fire & Emergency Services	Other Protective Services	Roads Drainage & Infrastructure	Solid Waste Management	Community & Strategic Planning	Recreation & Community Services	Community Parks	Unallocated	Water Utilities	Sewer Utilities	**2009 Actual**	2009 Budget
Revenues													
General taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,107,694	$ -	$ -	$ 3,107,694	$ 3,109,122
Parcel Taxes	-	-	-	-	357,245	-	-	206,500	-	120,758	4,716	689,219	679,849
Grants in lieu of taxes	-	-	-	-	-	-	-	-	3,896	-	-	3,896	2,658
Utility connection fees and User fees	-	-	-	-	-	-	-	-	-	567,762	141,783	709,545	683,934
Government Grants													
Federal (Note 14)	-	-	-	-	-	-	3,680	155,093	-	-	-	158,773	3,000
Provincial (Note 14)	832	4,325	-	-	-	16,025	1,566	-	715,355	36,515	-	774,618	533,302
Other (Note 14)	-	-	-	4,000	-	-	2,200	59,911	-	-	-	66,111	64,911
Sale of services (Note 15)	4,588	-	4,480	29,591	107,810	-	180,615	-	-	-	-	327,084	318,632
Other revenue (Note 15)	127,382	28,567	100,097	68,247	-	144,598	46,156	173,271	-	87,354	5,584	781,256	723,016
Total revenue	132,802	32,892	104,577	101,838	465,055	160,623	234,217	594,775	3,826,945	812,389	152,083	6,618,196	6,118,424
Expenses													
Operating													
Salary & Benefits	773,194	163,282	118,783	442,677	-	114,020	334,507	-	-	-	-	1,946,463	1,938,839
Travel, conventions, education and training	20,328	11,741	5,376	15,402	-	1,820	6,504	102	-	-	-	61,273	84,555
Operation goods and services	84,820	8,015	-	226,663	-	76,041	39,175	42,789	-	72,409	4,607	554,519	432,278
Communication & information systems	64,903	7,419	1,467	4,770	-	-	7,702	-	-	3,185	1,218	90,664	83,670
Contract Services - professional	85,141	-	2,253	2,294	-	110,326	-	-	-	50,149	-	250,163	149,513
Contract services - operational	5,493	-	54,969	8,203	485,392	109,434	120,790	-	-	257,496	38,697	1,080,474	1,048,369
Insurance and Licenses	29,744	7,637	-	-	-	-	353	-	-	19,692	1,730	59,156	61,931
Maintenance - buildings, equipment, infrastructure	37,928	31,130	1,298	158,949	-	-	13,500	-	-	5,887	9,496	258,188	237,229
Rents	80,617	-	-	-	-	-	45,836	-	-	-	-	126,453	130,630
Utilities	4,799	7,414	-	-	-	-	-	-	-	28,497	-	40,710	39,300
Projects and planning	-	-	14,429	-	-	-	-	-	-	-	-	14,429	213,798
Other operational expenses	14,889	7,236	345	1,972	3,185	3,333	2,287	8,351	-	20,985	25,793	88,376	128,532
Debt interest	26,641	-	-	-	-	-	-	-	-	33,694	5,517	65,852	75,763
Grants to Community (Note 12)	312,744	-	-	-	-	-	-	-	-	-	-	312,744	317,877
Internal recoveries	(7,361)	-	-	(178,094)	-	-	-	92,331	-	79,944	13,180	-	(3,295)
Amortization	37,116	60,054	-	465,825	-	-	3,843	27,335	-	328,593	53,342	976,108	976,108
Total Expenses	1,570,996	303,928	198,920	1,148,661	488,577	414,974	574,497	170,908	-	900,531	153,580	5,925,572	5,915,097
Excess (deficiency) in revenues over expenses	$ (1,438,194)	$ (271,036)	$ (94,343)	$ (1,046,823)	$ (23,522)	$ (254,351)	$ (340,280)	$ 423,867	$ 3,826,945	$ (88,142)	$ (1,497)	$ 692,624	$ 203,327

Bowen Island Municipality
Schedule 3 - Reserve Fund Operations

For the year ended December 31, 2010

	Fire Department Equipment	Recreation and Other Comm. Use	Community Parks	Cove Bay Water	Mount Gardner Dock	Tax Sale & Sinking Fund Surplus	Equipment Replacement	Roads and Infrastructure	Parkland Investments	Capital Renewal and Replacement	**2010**	2009
Balance, beginning of year	$ 279,564	$ 640,351	$ 531,289	$ 1,078,113	$ 34,111	$ 27,447	$ 149,611	$ 271,369	$ 61,525	$ 35,027	**$ 3,108,407**	$ 3,242,020
Interest	10,044	23,007	19,089	38,735	1,226	986	5,375	9,571	2,211	1,258	**111,502**	235,809
Transfers from (to):												
Current Fund	85,000	47,000	46,985	34,739	-	-	67,466	334,800	-	89,514	**705,504**	720,963
Capital Fund	-	-	(185,092)	(38,708)	-	-	(60,000)	(425,000)	-	(13,267)	**(722,067)**	(1,090,385)
Reserve Fund	-	28,433	-	-	-	(28,433)	-	-	-	-	**-**	-
Balance, end of year	$ 374,608	$ 738,791	$ 412,271	$ 1,112,879	$ 35,337	$ -	$ 162,452	190,740	$ 63,736	$ 112,532	**$ 3,203,346**	$ 3,108,407