

# **District of North Saanich**

## **Financial Statements**

**Year ended December 31, 2020**

# District of North Saanich

December 31, 2020

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# District of North Saanich

December 31, 2020

## Management's Responsibility for the Financial Statements

The accompanying financial statements of the District of North Saanich (the "District") are the responsibility of the District's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The District'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 financial statements. These systems are monitored and evaluated by management.

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

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the District. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the District's financial statements.



Chief Administrative Officer



Director of Financial Services

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## Independent Auditor's Report

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To the Mayor and Council of the District of North Saanich

### Opinion

We have audited the financial statements of the District of North Saanich ("the District") which comprise the Statement of Financial Position as at December 31, 2020 and the Statements Operations, Changes in Net Financial Assets, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the District financial statements present fairly, in all material respects, the financial position of the District at December 31, 2020 and its results of operations, changes in net debt, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally-accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally-accepted auditing standards we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
May 3, 2021

# District of North Saanich

## Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
<b>Financial assets</b>		
Cash	\$ 17,213,216	\$ 14,030,327
Portfolio investments (note 2)	25,434,788	24,870,201
Accounts receivable		
Taxes	871,678	581,606
Other (note 3)	2,392,550	1,713,250
Debt reserve deposits (note 4)	133,112	130,428
	<u>\$ 46,045,344</u>	<u>\$ 41,325,812</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	7,371,229	4,490,989
Prepaid property taxes	731,706	646,743
Deferred revenue (note 6)	2,282,135	2,391,967
Deposits	1,131,707	1,368,088
Employee future benefit liability (note 7)	475,900	438,300
Debt (note 8)	5,736,594	6,139,608
	<u>\$ 17,729,271</u>	<u>\$ 15,475,695</u>
<b>Net financial assets</b>	<u>\$ 28,316,073</u>	<u>\$ 25,850,117</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 9)	86,180,024	79,877,404
Inventory of supplies	160,231	135,648
Prepaid expenses	189,363	543,006
	<u>\$ 86,529,618</u>	<u>\$ 80,556,058</u>
<b>Accumulated surplus (note 10)</b>	<u>\$114,845,691</u>	<u>\$106,406,175</u>

Contingencies and commitments (notes 4 and 11)



Director of Financial Services



Mayor

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

# District of North Saanich

## Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget (note 15)	2020	2019
<b>Revenues: (note 14)</b>			
Taxes available for municipal purposes (note 12)	\$ 13,346,550	\$ 13,039,686	\$ 12,682,705
Sale of services			
General	987,600	1,164,794	1,034,066
Water utility fees and charges	3,363,100	3,364,806	3,230,900
Sewer utility fees and charges	1,323,600	1,272,935	1,295,491
Income from portfolio investments	440,000	807,471	833,917
Contributed assets (note 9)	-	3,147,713	5,658,386
Government transfers (note 13)	1,241,500	4,306,114	1,700,963
Other revenue	268,700	311,290	482,021
	\$ 20,971,050	\$ 27,414,809	\$ 26,918,449
<b>Expenses: (note 14)</b>			
General government	4,399,440	3,697,329	3,383,511
Protective services	4,042,315	3,474,583	3,437,209
Solid waste management and environment	112,900	100,005	69,825
Planning and community	1,639,494	1,152,037	1,003,792
Transportation	4,721,899	3,734,228	3,367,566
Parks, recreation and culture	2,131,821	1,784,379	1,583,816
Water utility	3,599,879	3,241,744	3,132,236
Sewer utility	1,867,702	1,790,988	1,681,232
	\$ 22,515,450	\$ 18,975,293	\$ 17,659,187
Annual surplus (deficit)	(1,544,400)	8,439,516	9,259,262
Accumulated surplus, beginning of year	106,406,175	106,406,175	97,146,913
Accumulated surplus, end of year	\$104,861,775	\$114,845,691	\$106,406,175

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

# District of North Saanich

## Statement of Change in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget (note 15)	2020	2019
Annual surplus (deficit)	\$ (1,544,400)	\$ 8,439,516	\$ 9,259,262
Acquisition of tangible capital assets	(9,911,600)	(6,096,956)	(2,164,564)
Amortization of tangible capital assets	3,520,000	2,935,746	2,825,316
Loss on disposal of capital assets	-	6,301	168,971
Contributed capital assets	-	(3,147,713)	(5,658,386)
	(7,936,000)	2,136,894	4,430,599
Acquisition of inventory of supplies	-	(125,259)	(98,222)
Consumption of inventory of supplies	-	100,676	121,841
Acquisition of prepaid expenses	-	(187,782)	(538,190)
Use of prepaid expenses	-	541,427	148,040
Change in net financial assets	(7,936,000)	2,465,956	4,064,068
Net financial assets, beginning of year	25,850,117	25,850,117	21,786,049
Net financial assets, end of year	\$ 17,914,117	\$ 28,316,073	\$ 25,850,117

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



# District of North Saanich

## Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
<b>Cash provided by (used in):</b>		
<b>Operating transactions:</b>		
Annual surplus	\$ 8,439,516	\$ 9,259,262
Items not involving cash:		
Contributed tangible capital assets	(3,147,713)	(5,658,386)
Loss on disposal of capital assets	6,301	168,971
Amortization of tangible capital assets	2,935,746	2,825,316
Actuarial sinking fund earnings	(133,670)	(118,049)
	8,100,180	6,477,114
Change in non-cash operating assets and liabilities		
(Increase) decrease in accounts receivable - taxes	(290,071)	284,348
(Increase) decrease in accounts receivable - other	(679,300)	549,492
(Increase) in debt reserve deposits	(2,684)	(2,969)
Decrease (increase) in prepaid expenses	353,643	(390,150)
Increase in accounts payable and accrued liabilities	2,880,240	785,079
Increase in prepaid property taxes	84,963	36,695
(Decrease) in deferred revenue	(109,832)	(239,867)
Increase in employee future benefit obligations	37,600	23,600
(Increase) decrease in materials and supplies	(24,583)	23,619
(Increase) decrease in deposits	(236,381)	302,344
	10,113,775	7,849,305
<b>Capital transactions:</b>		
Acquisition of tangible capital assets	(6,096,956)	(2,164,564)
<b>Financing transactions:</b>		
Repayment of debt	(269,343)	(269,343)
<b>Investing transactions:</b>		
Change in portfolio investments	(564,587)	(3,071,151)
Increase in cash and cash equivalents	3,182,889	2,344,247
Cash and cash equivalents, beginning of year	14,030,327	11,686,080
Cash and cash equivalents, end of year	\$ 17,213,216	\$ 14,030,327

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

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

The District of North Saanich (the "District") is a municipality in the Province of British Columbia that was created on August 19, 1965 pursuant to the Local Government Act of British Columbia and Community Charter of British Columbia. The District provides municipal services such as police, fire, public works, planning, parks and recreation, library, and general government operations.

### 1. Significant accounting policies

The financial statements of the District are prepared by management in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the District are as follows:

(a) Basis of presentation

The financial statements reflect the assets, liabilities, revenues and expenses of the District and the relevant portion of any cost sharing arrangements.

The District participates in the cost sharing agreements with the Town of Sidney for RCMP police services, Library building maintenance and capital improvements, and the operations of the Shoal Senior Centre. Only the District's portion of these costs are recorded in the financial statements. Refer to Note 11 for additional details.

Interdepartmental and inter-fund transactions have been eliminated. The District does not administer any trust activities on behalf of external parties.

(b) Basis of accounting

The District follows the accrual method of accounting for revenues and expenses. Revenues are 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 a legal obligation to pay.

(c) Government transfers

Government transfers are recognized in the 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, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability. Transfers received for which expenses are not yet incurred are included in deferred revenue and will be recognized over the period the liability is settled.

(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.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 1. Significant accounting policies continued

(e) Taxation revenue

Taxation revenue is recorded at estimated amounts when it has been authorized and the taxable event occurs. Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal services in the year they are levied. Taxes receivable are recognized, when they meet the definition of an asset, net of an allowance for anticipated uncollectable amounts. Levies imposed by other taxing authorities are not included as taxes for municipal purposes.

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 or can be reasonably estimated.

(f) Portfolio investments

All investments are recorded on an amortized cost basis. Investment premiums and discounts are amortized over the term of the respective investment, using the effective interest method. Investments are written down when there is, in the opinion of management, a permanent decline in value.

(g) Investment income

Investment income is reported as revenue in the period earned except when restricted in use by the funding government or related legal statute. In that event, the investment income earned is added to the deferred revenue balance.

(h) Debt

Debt is recorded net of principal repayments and actuarial earnings.

(i) Employee future benefits

The District and its employees make contributions to the Municipal Pension Plan and the Greater Victoria Labour Relations Association (GVLRA) Long-Term Disability Trust. As these are multi-employer plans, contributions are expensed as incurred.

Sick, personal, emergency, and family leave benefits and other retirement benefits are also available to the District'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 obligation under this benefit plan is accrued based on projected benefits as the employees render services necessary to earn the future benefits. Long-term disability income benefits are disclosed according to the Greater Victoria Labour Relations Associations' policy.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 1. Significant accounting policies continued

(j) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Liabilities are recorded net of any expected recoveries.

A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the District is directly responsible or accepts responsibility;
- (iv) it is expected that the future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of remediation and post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(k) 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.

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

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 1. Significant accounting policies continued

(k) Non-financial assets continued

(i) Tangible capital assets continued

Estimated useful life for tangible capital assets is as follows:

<b>Asset</b>	<b>Useful life range in years</b>
Buildings	25 to 50
Land improvements	10 to 40
Vehicles, machinery, and equipment	5 to 25
<b>Engineering Structures:</b>	
Roads	10 to 75
Drainage	25 to 80
Water	20 to 80
Sewer	20 to 80
Other	10 to 80

Land has an infinite life and is not amortized. Work in progress is not amortized until the project is substantially completed and put into use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the District's ability to provide goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions, including tangible capital assets in lieu of developer cost charges, are recorded as revenue at their estimated fair value at the date of receipt.

(iii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 1. Significant accounting policies continued

(k) Non-financial assets continued

(v) 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.

(vi) Inventory of supplies

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

(l) Deposits

Receipts restricted by third parties for future services or repayment are deferred as deposits and are refundable under certain circumstances. Deposits are recognized as revenue when qualifying expenditures are incurred.

(m) Allocation of expenses

Salary, wages and employee benefit expenses include the costs for District employees. The cost of certain finance personnel are allocated to the water and sewer utility segments based on an estimate of time spent on those segments.

(n) 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 disclosures 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 useful lives of tangible capital assets, the fair value of contributed assets, the allocation of expenses, provisions for accrued liabilities, underlying assumptions for employee future benefits, assessment of contaminated sites and provision for contingencies. Actual results could differ from these estimates.

### 2. Portfolio investments

The District's portfolio of investments consist of term deposits in credit unions. Term deposits in credit unions have varying maturity dates from January 2021 to November 2022 and have rates of return ranging from 0.80% to 3.30% (2019: 2.30% to 3.30%).

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	2020	2019
Term Deposits	\$ 25,434,788	\$ 24,870,201

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# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 3. Other accounts receivable

Other accounts receivable consists of the following:

	2020	2019
Utility fees and charges	\$ 1,230,171	\$ 1,060,953
BikeBC grant receivable	615,916	-
Other grants receivable	-	47,857
Protective services grants receivable	24,255	74,613
GST rebate	397,921	253,121
Trade accounts receivable	60,026	53,244
Receivable from library / other municipalities	19,779	57,853
Insurance proceeds	-	136,759
Deferred property taxes due from the Province of BC	8,120	14,613
Miscellaneous	36,362	14,237
	<b>\$ 2,392,550</b>	<b>\$ 1,713,250</b>

### 4. Municipal Finance Authority debt reserve fund and debt reserve deposits

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 held by the MFA to act as security against the possibility of debt repayments default. If the debt is returned without default, the deposits are refunded to the District. At December 31, 2020, deposits of \$133,112 (2019 - \$130,428) are recorded as debt reserve deposits.

Under borrowing arrangements with the Municipal Finance Authority ("MFA"), the District is required to lodge security by means of contingent demand notes and interest bearing cash deposits based on the amount of borrowing. As debt principal is retired, demand notes are released and the cash deposits are refunded.

At December 31, 2020 there were contingent demand notes of \$255,076 (2019 - \$255,076) which are not included in the financial statements of the District.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2020	2019
Trade accounts payable	\$ 1,330,572	\$ 1,390,613
Accrued liabilities	586,503	778,968
Grants in lieu payable to other government organizations	649,340	934,896
Accrued payroll liability	333,882	237,046
Contaminated sites liability (a)	100,000	100,000
School tax levy payable to the Province of BC	4,307,310	962,961
PEMO amounts held (b)	63,622	86,505
	<b>\$ 7,371,229</b>	<b>\$ 4,490,989</b>

(a) A liability for contaminated sites has been recorded in the amount of \$100,000 (2019 - \$100,000). The existence of metals above the BC Contaminated Sites standards has been identified in the soil at Bazan Bay Park. The source of the contamination is a decommissioned sewage treatment plant clarifier tank on the property.

(b) Peninsula Emergency Measures Organization (PEMO) provides qualified volunteer support during times of emergency or major disaster. It is supported by the District of Central Saanich, the Town of Sidney, and the District of North Saanich.

### 6. Deferred revenue

	2019	Contributions received	Recognized as revenue	2020
Amenity Fee Contributions	\$ 1,546,527	\$ -	\$ -	\$ 1,546,527
Prepaid Building Permits	172,564	248,064	(172,564)	248,064
Prepaid Utility Billings	10,511	12,924	(10,511)	12,924
Sewer Parcel Tax	6,047	-	(6,047)	-
Sewer Upgrade Contributions	155,903	-	-	155,903
Specified Area Charges	482,905	-	(184,264)	298,641
Other	17,510	10,600	(8,034)	20,076
	<b>\$ 2,391,967</b>	<b>\$ 271,588</b>	<b>\$ (381,420)</b>	<b>\$ 2,282,135</b>



# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 7. Employee future benefit liability

The District provides sick leave, retirement benefits, and personal, emergency, and family leave (PEFL) to its employees in addition to contributions to the Municipal Pension Plan and the GVLRA. These amounts and other employee-related liabilities will require funding in future periods and are set out below:

	2020	2019
Accumulated sick leave	\$ 285,524	\$ 240,204
Retirement benefit payment	190,376	198,096
	\$ 475,900	\$ 438,300

Information about the District's benefit plan for sick leave, retirement benefits and PEFL is as follows:

	2020	2019
<b>Accrued benefit obligation - opening:</b>		
Balance, beginning of year	\$ 486,100	\$ 451,600
Current service cost	52,200	47,500
Interest cost	13,900	15,600
Benefits paid	(38,500)	(49,200)
Actuarial loss	90,500	20,600
Accrued benefit obligation - closing	604,200	486,100
Unamortized net actuarial loss	(128,300)	(47,800)
Accrued employee future benefit liability	\$ 475,900	\$ 438,300

The significant actuarial assumptions adopted in measuring the District's accrued benefit obligations are as follows:

	2020	2019
Discount rates	2.20 %	2.70 %
Expected inflation rate	2.50 %	2.50 %

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 7. Employee future benefit liability continued

The expected average remaining service life is 12 years (2019 - 10 years). The expected wage and salary increases (including 2.50% inflation estimate) are 2.58% - 4.50% (2019 - 2.58% - 4.50%). The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$76,100 (2019 - \$72,800).

#### Accumulated sick leave

Accumulated sick leave represents the liability for sick leave banks accumulated for possible draw down at future dates.

#### Retirement benefit payments

Retirement benefit payments represent the District's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments and death benefits.

The amount recorded for these benefits is based on a benefit actuarial valuation. It is recorded in combination with sick, personal, emergency and family leave valuations. The most recent valuation was as at December 31, 2020. The actuarial valuation and assumptions upon which it is based are reviewed on a periodic basis.

#### Municipal pension plan

The District and its employees contribute to the Municipal Pension Plan (plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2019, the plan had about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The District paid \$464,041 for employer contributions to the plan in fiscal 2020 (2019 - \$431,488) and District employees paid \$401,995 (2019 - \$375,032).

The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 7. Employee future benefit liability continued

#### GVLRA/CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employees representing a number of CUPE locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. Employers and employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined as of December 31, 2017 with an extrapolation prepared by the actuary as at December 31, 2019. At December 31, 2019, the total plan provision for approved claims was \$17,748,900 (2018 - \$16,827,700) and the provision for unreported claims was \$1,332,400 (2018 - \$1,332,400) with an accumulated surplus of \$4,244,806 (2018 - \$3,016,917). The total plan provision for approved and unreported claims and net surplus or deficit at December 31, 2020 is being fully actuarially valued and will be available later in 2021. The District paid \$52,395 (2019 - \$50,267) for employer contributions and District employees paid \$52,395 (2019 - \$50,267) for employee contributions to the plan in 2020.

### 8. Debt

	Interest rate	Year of maturity	Gross Debt	Repayments and actuarial earnings	2020	2019
MFA Issue #102	2.25%	2032	\$ 7,722,907	\$ (3,093,455)	\$ 4,629,452	\$ 4,927,353
MFA Issue #127	3.30%	2029	1,680,000	(572,858)	1,107,142	1,212,255
			\$ 9,402,907	\$ (3,666,313)	\$ 5,736,594	\$ 6,139,608

The District issues debt instruments through the MFA, pursuant to security issuing bylaws under authority of the Local Government Act, to finance certain capital expenditures. MFA invests the District's principal payments so that the payments plus the investment income earned on repayments (actuarial earnings), will equal the original outstanding debt amount at the end of the repayment period.

The loan agreements with 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 District.

Interest expense on long-term debt for 2020 was \$229,205 (2019 - \$229,205).

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 8. Debt continued

The aggregate amount of payments required on the District's debt during each of the next five years and thereafter is as follows:

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	<b>2020</b>
2021	\$ 269,343
2022	269,343
2023	269,343
2024	269,343
2025	269,343
Thereafter	1,633,700
Future actuarial interest	2,756,179
	<hr/> <b>\$ 5,736,594</b> <hr/>

### 9. Tangible capital assets

There are no significant art nor historic treasures owned and held by the District. No tangible capital assets were written down in 2020 or 2019.

In 2020 \$3,147,713 of asset contributions were received related to various developments within the District. The estimated fair market value of these assets is shown as revenue as well as tangible capital asset additions. This was comprised of land - \$1,724,188; land improvements - \$10,000; roads - \$694,725; drainage - \$409,740; water - \$172,300; and sewer - \$136,760. In 2019 contributed assets worth \$5,658,386 were received.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 9. Tangible capital assets continued

2020	Engineering Structures										Total 2020	Total 2019
	Land	Land Improvement	Buildings	Vehicles, Machinery & Equipment	Roads	Drainage	Water	Sewer	Other	Work in Progress		
<b>Cost</b>												
Opening balance	\$ 20,467,708	\$ 2,971,964	\$ 8,425,326	\$ 8,619,931	\$ 37,350,488	\$ 7,133,808	\$ 12,883,718	\$ 27,990,403	\$ 65,381	\$ 672,267	\$126,580,994	\$119,003,794
Add: Additions	1,724,188	852,280	134,516	428,502	2,622,567	444,164	1,387,407	280,613	-	1,370,432	9,244,669	7,822,950
Less: Disposals	-	-	-	(6,364)	-	-	(22,979)	-	-	-	(29,343)	(245,748)
Completed work in progress	-	22,111	-	-	467,491	-	45,145	137,520	-	(672,267)	-	-
Closing balance	22,191,896	3,846,355	8,559,842	9,042,069	40,440,546	7,577,972	14,293,291	28,408,536	65,381	1,370,432	135,796,320	126,580,996
<b>Accumulated Amortization</b>												
Opening balance	-	913,944	2,529,811	5,588,757	22,547,593	1,785,938	5,597,836	7,694,653	45,061	-	46,703,593	43,955,053
Add: Additions	-	105,275	208,058	598,280	1,151,169	133,295	185,258	553,182	1,229	-	2,935,746	2,825,316
Less: Disposals	-	-	-	(6,364)	-	-	(16,678)	-	-	-	(23,042)	(76,777)
Closing balance	-	1,019,219	2,737,869	6,180,673	23,698,762	1,919,233	5,766,416	8,247,835	46,290	-	49,616,297	46,703,592
Net book value	\$ 22,191,896	\$ 2,827,136	\$ 5,821,973	\$ 2,861,396	\$ 16,741,784	\$ 5,658,739	\$ 8,526,875	\$ 20,160,701	\$ 19,091	\$ 1,370,432	\$ 86,180,024	\$ 79,877,404

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 10. Accumulated surplus

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

	2020	2019
<b>Surplus</b>		
Invested in tangible capital assets	\$ 80,443,429	\$ 73,737,796
Unallocated surplus	12,619,716	12,165,211
<b>Total surplus</b>	<b>93,063,145</b>	<b>85,903,007</b>
<b>Reserves set aside by Council</b>		
Working funds	12,916,656	10,018,092
Federal Gas Tax Agreement funds	2,163,261	3,295,593
	<b>15,079,917</b>	<b>13,313,685</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
Replacement reserves	2,262,358	2,685,117
Growth and opportunity reserves	1,527,379	1,727,254
Local improvement reserve	946,133	1,033,323
Parks capital and acquisition reserves	1,966,759	1,743,789
<b>Total reserve funds</b>	<b>6,702,629</b>	<b>7,189,483</b>
	<b>\$114,845,691</b>	<b>\$106,406,175</b>

On January 11, 2021 Council adopted *North Saanich Reserve Funds Establishment Bylaw No. 1512, 2020*. This bylaw updated the District's reserve structure. Within the new structure the reserves set aside by Council of \$15,079,917 and the reserve funds set aside for specific purposes by Council of \$6,702,629 would be in the following new categories: capital reserves – \$11,293,905 and operating and opportunity reserves – \$10,488,641 for a total of \$21,782,546 in statutory reserves.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 11. Contingencies and commitments

(a) Agreements and contracts

The District has entered into various agreements and contracts for services and construction with periods ranging from one to five years.

(b) RCMP

The District has entered into a five-year renewable agreement with the Town of Sidney, effective January 1, 2018, for the use of the RCMP facilities located in the Town of Sidney. This agreement requires that the District reimburse the Town of Sidney for a share of facility, equipment and staffing costs, based upon the ratio of staff assigned to the District and the total number of staff assigned to the detachment under the Policy Agreement. The estimated cost for 2021 is \$424,366.

(c) Insurance

The District is a defendant in various lawsuits and historical circumstances may result in additional legal claims. The District records an accrual in respect of legal claims where there is likely to be a settlement and for which a liability amount is reasonably determinable.

The District 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 their deductible. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with the other participants, would be required to contribute towards the deficit. No provision has been recorded as there is no expected risk at this time.

(d) CREST

The District is a shareholder and member of the Capital Regional 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.

(e) Regional District debt

Regional District debt is, under the provisions of the Local Government Act, a direct, joint and several liability of the Regional District and each member municipality within the Regional District, including the District.

(f) Sandown operating lease

In 2020 the District entered into a lease agreement with Circular Farm and Food Society: Vancouver Island to operate the Sandown lands. Within this lease agreement the District agreed to provide funding during the first three years of operation (2020 - 2022). The estimated cost for 2021 is \$125,000.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 12. Taxes available for municipal purposes

	Budget	2020	2019
<b>Taxes collected for general municipal purposes:</b>			
Property and business taxes	\$ 11,261,850	\$ 10,895,092	\$ 10,577,094
Grants in lieu of taxes	1,251,800	1,308,186	1,276,854
Water and sewer system parcel taxes	832,900	836,408	828,757
<b>Total</b>	<b>13,346,550</b>	<b>13,039,686</b>	<b>12,682,705</b>
<b>Taxes collected on behalf of and paid to other governments:</b>			
School Authorities	-	7,242,390	8,945,876
Regional Hospital District	-	1,234,323	1,353,167
Municipal Finance Authority	-	1,304	1,284
British Columbia Assessment Authority	-	272,250	256,826
BC Transit Authority	-	1,416,647	1,367,711
Regional District	-	2,983,326	2,985,602
<b>Total</b>	<b>-</b>	<b>13,150,240</b>	<b>14,910,466</b>
<b>Gross taxes collected</b>	<b>\$ -</b>	<b>\$ 26,189,926</b>	<b>\$ 27,593,171</b>

### 13. Government transfers

The following government transfers have been included in revenues:

	Budget	2020	2019
<b>Transfers</b>			
Provincial (a)	\$ 710,900	\$ 3,777,271	\$ 590,008
Federal	530,600	528,843	1,110,905
Regional and other	-	-	50
	<b>\$ 1,241,500</b>	<b>\$ 4,306,114</b>	<b>\$ 1,700,963</b>

(a) Included in the provincial government transfers amount is the COVID-19 Safe Restart Grant received of \$2,711,000, see Schedule 1 to the financial statements for further information.



# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 14. Segmented information

The District is a diversified government organization that provides a wide range of services to its citizens as follows:

#### **Protective Services - RCMP, Fire Department and Animal Control**

The mandates of the RCMP and Fire Departments are to enforce laws, prevent crime and maintain peace, order and security by protecting life, property and the environment through the provision of emergency response thus, ensuring safe homes and community. The District cost shares with the Town of Sidney to provide policing services through the Royal Canadian Mounted Police (RCMP). District animal control services are provided under contract by the Capital Regional District.

#### **Parks, Recreation and Cultural Services**

The Parks division of the Infrastructure Services Department is responsible for providing and facilitating high quality parks and recreational facilities. The District cost shares with the Town of Sidney to provide access to recreation and cultural services through the Mary Winspear Centre and Shoal Centre located nearby in the Town of Sidney. The District is a member of the Vancouver Island Regional Library which provides access to information through the library facility located in the Town of Sidney.

#### **General Government Services - Legislative; Corporate Services; Financial and Information Technology Services**

The functions within General Government Services are responsible for adopting bylaws; adopting administrative policy; levying taxes; acquiring, disposing and managing District assets; ensuring effective financial and human resource management; monitoring performance and ensuring that high quality District service standards are met.

#### **Transportation Services - Engineering and Public Works; Roads; Drainage**

The Infrastructure Services Department is responsible for the delivery of municipal transportation and storm drainage systems and services and for approving subdivision plans.

#### **Solid Waste Management and Environmental Services**

The management of garbage pickup on municipal public property is the responsibility of the Infrastructure Services Department. Council, through the establishment of Commission and Committees of the District, are provided with feedback and advice to assist in providing policy direction to protect and enhance rural, agricultural, heritage and environmental characteristics.

#### **Planning and Community Services**

The Planning and Community Services Department is responsible for preparing land use plans, bylaws and policies for sustainable development of the District; and conducting building inspections and bylaw enforcement.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### **Water Utility - Infrastructure Services, Utilities**

The Utilities Division of the Infrastructure Services Department installs and maintains the water mains and pump stations and oversees the distribution of water purchased from the Capital Regional District.

### **Sewer Utility - Infrastructure Services, Utilities**

The Utilities Division of the Infrastructure Services Department installs and maintains the sewer mains and pump stations of the District.

### **Statement of Segmented Information**

The following statement provides additional information for the foregoing functions. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

December 31, 2020	General Government	Protective Services	Solid Waste Management & Environment	Planning and Community	Transportation	Parks, Recreation and Cultural	Water Utility	Sewer Utility	2020
<b>Revenues</b>									
Taxes available for municipal purposes	\$ 12,203,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 477,200	\$ 359,208	\$ 13,039,686
Sale of services	131,890	108,362	37,660	735,009	117,197	34,676	3,364,806	1,272,935	5,802,535
Income from portfolio investments	781,674	-	-	-	-	-	4,397	21,400	807,471
Contributed assets	2,838,653	-	-	-	-	-	172,300	136,760	3,147,713
Government transfers	4,246,114	-	-	-	-	-	-	60,000	4,306,114
Other revenue	166,899	-	-	-	-	-	(4,611)	149,002	311,290
	20,368,508	108,362	37,660	735,009	117,197	34,676	4,014,092	1,999,305	27,414,809
<b>Expenses</b>									
Salaries, wages and employee benefits	2,109,173	655,450	48,860	982,218	1,549,230	371,772	501,161	246,959	6,464,823
Contracted services	1,142,483	2,353,591	49,480	152,989	556,533	1,226,600	39,141	612,474	6,133,291
Supplies and materials	122,798	150,657	1,665	8,517	181,657	81,355	2,478,957	177,185	3,202,791
Interest and bank charges	9,437	55,440	-	-	-	-	-	173,765	238,642
Amortization	313,438	259,445	-	8,313	1,446,808	104,652	222,485	580,605	2,935,746
	3,697,329	3,474,583	100,005	1,152,037	3,734,228	1,784,379	3,241,744	1,790,988	18,975,293
Annual surplus (deficit)	\$ 16,671,179	\$ (3,366,221)	\$ (62,345)	\$ (417,028)	\$ (3,617,031)	\$ (1,749,703)	\$ 772,348	\$ 208,317	\$ 8,439,516

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

December 31, 2019	General Government	Protective Services	Solid Waste Management & Environment	Planning and Community	Transportation	Parks, Recreation and Cultural	Water Utility	Sewer Utility	2019
<b>Revenues</b>									
Taxes available for municipal purposes	\$ 11,853,947	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 469,550	\$ 359,208	\$ 12,682,705
Sale of services	117,450	99,585	53,858	590,776	150,941	21,456	3,230,900	1,295,491	5,560,457
Income from portfolio investments	800,814	-	-	-	-	-	4,483	28,620	833,917
Contributed assets	4,872,001	-	-	-	-	-	388,550	397,835	5,658,386
Government transfers	1,700,963	-	-	-	-	-	-	-	1,700,963
Other revenue	241,045	-	-	-	-	-	(10,071)	251,047	482,021
	19,586,220	99,585	53,858	590,776	150,941	21,456	4,083,412	2,332,201	26,918,449
<b>Expenses</b>									
Salaries, wages and employee benefits	1,869,434	680,943	34,018	929,002	1,418,882	263,698	489,664	237,915	5,923,556
Contracted services	1,062,459	2,324,127	32,702	66,038	432,951	1,175,115	77,376	577,063	5,747,831
Supplies and materials	131,258	141,975	3,105	3,101	132,112	40,095	2,356,835	114,102	2,922,583
Interest and bank charges	10,696	55,440	-	-	-	-	-	173,765	239,901
Amortization	309,664	234,724	-	5,651	1,383,621	104,908	208,361	578,387	2,825,316
	3,383,511	3,437,209	69,825	1,003,792	3,367,566	1,583,816	3,132,236	1,681,232	17,659,187
Annual surplus (deficit)	\$ 16,202,709	\$ (3,337,624)	\$ (15,967)	\$ (413,016)	\$ (3,216,625)	\$ (1,562,360)	\$ 951,176	\$ 650,969	\$ 9,259,262

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 15. Budget data

The budget data presented in these financial statements is based upon the 2020 budget in Financial Plan Bylaw #1494, Schedule A passed by Council on May 11, 2020.

	2020
<b>Revenues</b>	
Taxes available for municipal purposes	\$ 13,346,550
Water utility fees and charges	3,363,100
Sewer utility fees and charges	1,323,600
General sale of services	987,600
Income from portfolio investments	440,000
Government transfers	1,241,500
Other revenue	268,700
<b>Total revenue</b>	<b>20,971,050</b>
<b>Expenses</b>	
Interest and bank charges	229,300
Amortization	3,520,000
General operating fund	14,402,150
Water operating fund	3,318,400
Sewer operating fund	1,045,600
	<b>22,515,450</b>
<b>Annual deficit before transfers</b>	<b>(1,544,400)</b>
<b>ALLOCATIONS</b>	
<b>Add</b>	
Amortization expense	3,520,000
Transfers to reserve funds	8,205,300
<b>Total additions</b>	<b>11,725,300</b>
<b>Deduct</b>	
Principal payments on debt	269,300
Capital expenditures	9,911,600
<b>Total deductions</b>	<b>10,180,900</b>
<b>Financial Plan balance</b>	<b>\$ -</b>

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2020

### 16. Uncertainty due to COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The District's offices were closed to the public as a result, although essential services continued to be provided, with the offices re-opening in a limited capacity during the year. As the impacts of COVID-19 continue, there could be further effects on the District, its citizens, employees, suppliers and other third party business associates. The District has continued to deliver services during this pandemic through a variety of means, whether face-to-face or utilizing technology. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

### 17. Comparative figures

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

# District of North Saanich

## Supplementary Financial Information

Year ended December 31, 2020

UNAUDITED

### SCHEDULE 1: COVID-19 SAFE RESTART GRANT

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The District of North Saanich received a COVID-19 Safe Restart Grant for Local Governments in November, 2020. Please see the schedule below for a summary of the eligible costs incurred in 2020.

COVID-19 Safe Restart Grant received		<b>\$ 2,711,000</b>
Eligible costs incurred:		
Revenue shortfalls	(77,500)	
General government	(77,300)	
Protective services	(45,600)	
Transportation	(11,700)	
Parks, recreation and culture	(12,400)	
Water utility	(700)	
Sewer utility	<u>(2,000)</u>	
Total eligible costs:		<b>(227,200)</b>
Balance, year ending December 31, 2020		<b><u><u>\$ 2,483,800</u></u></b>