

# **District of North Saanich**

## **Financial Statements**

**Year ended December 31, 2022**

# District of North Saanich

December 31, 2022

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# District of North Saanich

December 31, 2022

## 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 Canadian Public Sector Accounting Board of the Chartered Professional Accountants Canada. A summary of the significant accounting policies is 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 KPMG 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

To the Mayor and Councilors 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, 2022
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2022, and its results of operations, its changes in net financial assets and its 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 auditor's 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.



### ***Other Matter – Comparative Information***

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 6, 2022.

### ***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 Entity'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 the 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.
- 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.

*KPMG LLP*

Chartered Professional Accountants

Victoria, Canada

May 1, 2023

# District of North Saanich

## Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
<b>Financial assets</b>		
Cash and cash equivalents	\$ 13,354,332	\$ 16,275,867
Portfolio investments (note 2)	30,379,257	25,840,793
Accounts receivable		
Taxes	334,513	429,477
Other (note 3)	2,798,609	2,533,663
Debt reserve deposits (note 4)	138,399	135,376
	<b>\$ 47,005,110</b>	<b>\$ 45,215,176</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	5,198,655	4,979,022
Prepaid property taxes	705,532	677,322
Deferred revenue (note 6)	2,208,619	2,181,714
Deposits	1,622,614	901,265
Employee future benefit liability (note 7)	549,200	483,500
Debt (note 8)	4,883,220	5,317,525
	<b>\$ 15,167,840</b>	<b>\$ 14,540,348</b>
<b>Net financial assets</b>	<b>\$ 31,837,270</b>	<b>\$ 30,674,828</b>
<b>Non-financial assets</b>		
Tangible capital assets (note 9)	88,194,143	87,190,561
Inventory of supplies	252,324	185,922
Prepaid expenses	214,585	155,590
	<b>\$ 88,661,052</b>	<b>\$ 87,532,073</b>
Accumulated surplus (note 10)	\$ 120,498,322	\$ 118,206,901

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, 2022, with comparative information for 2021

	Budget (note 15)	2022	2021
<b>Revenues: (note 14)</b>			
Taxes available for municipal purposes (note 12)	\$ 14,507,800	\$ 14,565,979	\$ 13,706,632
Sale of services			
General	1,143,800	1,222,718	1,374,375
Water utility fees and charges	3,649,700	3,656,094	3,856,883
Sewer utility fees and charges	1,572,700	1,562,671	1,444,024
Income from portfolio investments	360,000	828,735	473,839
Contributed assets (note 9)	-	83,350	243,157
Government transfers (note 13)	1,306,000	1,563,525	1,569,313
Other revenue	281,700	320,007	553,340
	\$ 22,821,700	\$ 23,803,079	\$ 23,221,563
<b>Expenses: (note 14)</b>			
General government	5,093,483	4,260,345	4,011,048
Protective services	5,009,505	4,304,015	3,484,711
Solid waste management and environment	135,900	110,774	85,847
Planning and community	1,943,854	1,485,954	1,334,225
Transportation	4,740,115	3,590,483	3,488,519
Parks, recreation and culture	2,139,091	2,086,776	1,857,705
Water utility	3,936,607	3,725,174	3,705,392
Sewer utility	2,155,895	1,948,137	1,892,906
	\$ 25,154,450	\$ 21,511,658	\$ 19,860,353
Annual surplus (deficit)	(2,332,750)	2,291,421	3,361,210
Accumulated surplus, beginning of year	118,206,901	118,206,901	114,845,691
Accumulated surplus, end of year	\$ 115,874,151	\$ 120,498,322	\$ 118,206,901

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, 2022, with comparative information for 2021

	Budget (note 15)	2022	2021
Annual surplus (deficit)	\$ (2,332,750)	\$ 2,291,421	\$ 3,361,210
Acquisition of tangible capital assets	(10,913,600)	(4,349,522)	(3,825,036)
Amortization of tangible capital assets	3,557,000	3,003,248	2,954,186
Loss (gain) on disposal of capital assets	-	203,557	(170,997)
Proceeds on disposal of capital assets	-	222,485	274,466
Contributed capital assets	-	(83,350)	(243,157)
	(9,689,350)	1,287,839	2,350,672
Acquisition of inventory of supplies	-	(277,572)	(152,431)
Consumption of inventory of supplies	-	211,170	126,740
Acquisition of prepaid expenses	-	(204,016)	(143,053)
Use of prepaid expenses	-	145,021	176,827
Change in net financial assets	(9,689,350)	1,162,442	2,358,755
Net financial assets, beginning of year	30,674,828	30,674,828	28,316,073
Net financial assets, end of year	\$ 20,985,478	\$ 31,837,270	\$ 30,674,828

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

# District of North Saanich

## Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
<b>Cash provided by (used in):</b>		
<b>Operating transactions:</b>		
Annual surplus	\$ 2,291,421	\$ 3,361,210
Items not involving cash:		
Contributed tangible capital assets	(83,350)	(243,157)
(Gain) loss on disposal of capital assets	203,557	(170,997)
Amortization of tangible capital assets	3,003,248	2,954,186
Actuarial sinking fund earnings	(164,962)	(149,725)
	5,249,914	5,751,517
Change in non-cash operating assets and liabilities		
Decrease in accounts receivable - taxes	94,964	442,201
(Increase) in accounts receivable - other	(264,946)	(141,113)
(Increase) in debt reserve deposits	(3,023)	(2,264)
(Increase) decrease in prepaid expenses	(58,995)	33,773
Increase (decrease) in accounts payable and accrued liabilities	219,633	(2,392,207)
Increase (decrease) in prepaid property taxes	28,210	(54,384)
Increase (decrease) in deferred revenue	26,905	(100,421)
Increase in employee future benefit obligations	65,700	7,600
(Increase) in materials and supplies	(66,402)	(25,691)
Increase (decrease) in deposits	721,349	(230,442)
	6,013,309	3,288,569
<b>Capital transactions:</b>		
Acquisition of tangible capital assets	(4,349,522)	(3,825,036)
Proceeds on disposal of tangible capital assets	222,485	274,466
	(4,127,037)	(3,550,570)
<b>Financing transactions:</b>		
Repayment of debt	(269,343)	(269,343)
<b>Investing transactions:</b>		
Purchase of portfolio investments	(4,000,000)	-
Reinvestment of portfolio investment earnings	(538,464)	(406,005)
	(4,538,464)	(406,005)
(Decrease) in cash and cash equivalents	(2,921,535)	(937,349)
Cash and cash equivalents, beginning of year	16,275,867	17,213,216
Cash and cash equivalents, end of year	\$ 13,354,332	\$ 16,275,867

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

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

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"). 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 of 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, 2022

### 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, the assets and liabilities of the plan are not segregated by institution, and accordingly, the District accounts for the plan as a defined contribution plan and 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, 2022

### 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) the site is no longer in productive use;
- (ii) an environmental standard exists;
- (iii) contamination exceeds the environmental standard;
- (iv) the District is directly responsible or accepts responsibility;
- (v) it is expected that the future economic benefits will be given up; and
- (vi) 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, 2022

### 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:

Asset	Useful life range in years
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 the financial statements.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 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 or services provided.

(m) Allocation of expenses

Salary, wages and employee benefit expenses include the costs for District employees. The cost of certain 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 assets, receivables and liabilities, underlying assumptions for employee future benefits, assessment of contaminated sites and provision for contingencies. Actual results could differ from these estimates.

(o) Financial instruments

The District's financial instruments consist of cash and cash equivalents, portfolio investments, accounts receivable, accounts payable and accrued liabilities and debt. The carrying amount of these financial instruments approximates their fair value because they are short-term in nature or because they bear interest at market rates.

Unless otherwise noted, it is management's opinion that the District is not exposed to significant interest or credit risks arising from these financial instruments.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 1. Significant accounting policies continued

- (p) Future changes in accounting policies

Effective January 1, 2023 the District adopted PS 3280, Asset Retirement Obligations.

A liability is recognized when, as at the financial reporting date:

- (i) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (ii) the past transaction or event giving rise to the liability has occurred;
- (iii) it is expected that future economic benefits will be given up; and
- (iv) a reasonable estimate of the amount can be made

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Statement of Operations. Management is in the process of assessing the impact of adopting this standard on the District's financial results.

### 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 2023 to November 2024 and have rates of return ranging from 1.00% to 5.35% (2021: 0.80% to 2.50%).

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 3. Other accounts receivable

Other accounts receivable consists of the following:

	2022	2021
Utility fees and charges	\$ 1,746,243	\$ 1,394,809
BikeBC grant receivable	-	615,916
Other grants receivable	-	50,000
Disaster financial assistance grant receivable	530,000	-
GST rebate	345,289	317,088
Trade accounts receivable	131,720	87,785
Receivable from library / other municipalities	21,546	21,819
Deferred property taxes due from the Province of BC	3,466	4,967
Miscellaneous	20,345	41,279
	\$ 2,798,609	\$ 2,533,663

### 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, 2022, deposits of \$138,399 (2021 - \$135,376) 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, 2022 there were contingent demand notes of \$255,076 (2021 - \$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, 2022

### 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2022	2021
Trade accounts payable	\$ 2,036,420	\$ 1,643,455
Accrued liabilities	740,478	616,858
Grants in lieu payable to other government organizations	524,763	508,966
Accrued payroll liability	437,038	329,843
Contaminated sites liability (a)	200,000	100,000
School tax levy and grant in lieu payable to the Province of BC	1,148,111	1,706,538
PEMO amounts held (b)	111,845	73,362
	<b>\$ 5,198,655</b>	<b>\$ 4,979,022</b>

(a) A liability for contaminated sites has been recorded in the amount of \$200,000 (2021 - \$100,000). The existence of metals above the BC Contaminated Sites standards has been identified in the soil near Bazan Bay. 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

	2021	Contributions received	Recognized as revenue	2022
Amenity fee contributions	\$ 1,546,527	\$ -	\$ -	\$ 1,546,527
Prepaid building permits	324,021	401,705	(324,021)	401,705
Prepaid utility billings	9,268	19,724	(9,268)	19,724
Sewer upgrade contributions	155,903	-	(70,193)	85,710
Specified area charges	118,189	-	(118,189)	-
Local Government Climate Action program	-	116,082	-	116,082
Other	27,806	11,065	-	38,871
	<b>\$ 2,181,714</b>	<b>\$ 548,576</b>	<b>\$ (521,671)</b>	<b>\$ 2,208,619</b>

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 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:

	2022	2021
Accumulated sick leave	\$ 350,342	\$ 294,150
Retirement benefits	198,858	189,350
	\$ 549,200	\$ 483,500

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

	2022	2021
<b>Accrued benefit obligation - opening:</b>		
Balance, beginning of year	\$ 573,000	\$ 604,200
Current service cost	66,700	68,600
Interest cost	15,900	13,800
Past service cost	53,200	-
Benefits paid	(79,000)	(88,100)
Actuarial (gain)	(83,800)	(25,500)
Accrued benefit obligation - closing	546,000	573,000
Unamortized net actuarial gain (loss)	3,200	(89,500)
Accrued employee future benefit liability	\$ 549,200	\$ 483,500

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

	2022	2021
Discount rates	4.50%	2.60%
Expected inflation rate	2.50%	2.50%

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 7. Employee future benefit liability continued

The expected average remaining service life is 12 years (2021 - 12 years). The expected wage and salary increases (including 2.50% inflation estimate) are 2.58% - 4.50% (2021 - 2.58% - 4.50%). The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$88,500 (2021 - \$95,700).

#### Accumulated sick leave

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

#### Retirement benefits

Retirement benefits 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, 2021, the plan had about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 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, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The District paid \$506,805 for employer contributions to the plan in fiscal 2022 (2021 - \$471,946) and District employees paid \$459,523 (2021 - \$406,922).

The next valuation will be as at December 31, 2024, with results available in 2025.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 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 fully actuarially determined as at December 31, 2018, with an extrapolation prepared by the actuary as at December 31, 2021. At December 31, 2021, the total plan provision for approved claims was \$23,012,000 (2020 - \$20,054,200) and the provision for unreported claims was \$1,703,800 (2020 - \$1,607,400) with an accumulated surplus of \$1,664,646 (2020 - \$4,450,361). The total plan provision for approved and unreported claims and net surplus or deficit at December 31, 2022 is being actuarially extrapolated and will be available later in 2023. The District paid \$68,465 (2021 - \$53,074) for employer contributions and District employees paid \$68,465 (2021 - \$53,074) for employee contributions to the plan in 2022.

### 8. Debt

	Interest rate	Year of maturity	Gross Debt	Repayments and actuarial earnings	2022	2021
MFA Issue #102	2.25	2032	\$ 7,722,907	\$ (3,723,899)	\$ 3,999,008	\$ 4,319,663
MFA Issue #127	3.3	2029	1,680,000	(795,788)	884,212	997,862
			\$ 9,402,907	\$ (4,519,687)	\$ 4,883,220	\$ 5,317,525

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 2022 was \$229,205 (2021 - \$229,205).

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 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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2023	\$	295,730
2024		295,730
2025		295,730
2026		295,730
2027		295,730
Thereafter		1,226,945
Future principal payments		2,705,595
Future actuarial adjustments (estimated)		2,177,625
	\$	4,883,220

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### 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 2022 or 2021.

In 2022 \$83,350 of drainage asset contributions were received related to developments within the District. The estimated fair market value of these assets is shown as revenue as well as tangible capital asset additions. In 2021 contributed assets worth \$243,157 were received.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 9. Tangible capital assets continued

2022	Land	Land Improvement	Buildings	Vehicles, Machinery & Equipment	Engineering Structures					Work in Progress	Total 2022	Total 2021
					Roads	Drainage	Water	Sewer	Other			
<b>Cost</b>												
Opening balance	\$ 22,246,923	\$ 3,886,351	\$ 8,737,800	\$ 11,001,736	\$ 40,914,473	\$ 7,790,081	\$ 14,348,598	\$ 28,412,136	\$ 65,381	\$ 963,470	\$ 138,366,949	\$ 135,796,320
Add: Additions	-	478,524	219,621	525,585	410,438	913,678	332,785	9,997	-	1,542,244	4,432,872	4,068,193
Less: Disposals	(239,597)	-	(17,633)	(2,402,896)	-	-	(22,133)	-	-	-	(2,682,259)	(1,497,564)
Completed work in progress	-	2,486	34,042	179,284	55,134	-	588,456	-	-	(859,402)	-	-
Closing balance	22,007,326	4,367,361	8,973,830	9,303,709	41,380,045	8,703,759	15,247,706	28,422,133	65,381	1,646,312	140,117,562	138,366,949
<b>Accumulated Amortization</b>												
Opening balance	-	1,138,651	2,923,089	5,533,727	24,707,186	2,057,508	5,965,188	8,803,520	47,519	-	51,176,388	49,616,297
Add: Additions	-	126,395	209,586	742,253	1,016,211	153,715	198,140	555,720	1,228	-	3,003,248	2,954,186
Less: Disposals	-	-	(17,633)	(2,222,144)	-	-	(16,439)	-	-	-	(2,256,216)	(1,394,094)
Closing balance	-	1,265,046	3,115,042	4,053,836	25,723,397	2,211,223	6,146,889	9,359,240	48,747	-	51,923,420	51,176,389
Net book value	\$ 22,007,326	\$ 3,102,315	\$ 5,858,788	\$ 5,249,873	\$ 15,656,648	\$ 6,492,536	\$ 9,100,817	\$ 19,062,893	\$ 16,634	\$ 1,646,312	\$ 88,194,143	\$ 87,190,561

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 10. Accumulated surplus

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

	2022	2021
<b>Surplus</b>		
Invested in tangible capital assets	\$ 83,310,923	\$ 81,873,036
Unallocated surplus	7,021,910	7,828,447
<b>Total surplus</b>	<b>90,332,833</b>	<b>89,701,483</b>
<b>Non-statutory reserve funds set aside by Council</b>		
First Nation Relations fund	15,000	15,000
<b>Total non-statutory reserve funds</b>	<b>15,000</b>	<b>15,000</b>
<b>Statutory reserve funds set aside by Council</b>		
Capital reserves	14,761,860	13,664,111
Operating and opportunity reserves	15,388,639	14,826,307
<b>Total statutory reserve funds</b>	<b>30,150,499</b>	<b>28,490,418</b>
	<b>\$ 120,498,332</b>	<b>\$ 118,206,901</b>

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 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.

(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). Council has extended their funding arrangement and the District's estimated cost for 2023 is \$125,000.

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 11. Contingencies and commitments continued

(g) Roundabout agreement

In December 2022, the District entered into a cost sharing agreement with the Victoria Airport Authority and the Town of Sidney for the design and construction of road improvements in the area of Beacon Avenue West, Galaran Road and Stirling Way in the Town of Sidney. The District's share of the costs is capped at \$1,100,000.

### 12. Taxes available for municipal purposes

	Budget	2022	2021
<b>Taxes collected for general municipal purposes:</b>			
Property and business taxes	\$ 11,872,450	\$ 11,851,417	\$ 11,277,338
Grants in lieu of taxes	1,287,350	1,344,705	1,322,660
Water and sewer system parcel taxes	1,348,000	1,369,857	1,106,634
<b>Total</b>	<b>14,507,800</b>	<b>14,565,979</b>	<b>13,706,632</b>
<b>Taxes collected on behalf of and paid to other governments:</b>			
School Authorities	-	10,113,886	9,040,144
Regional Hospital District	-	1,195,716	1,236,232
Municipal Finance Authority	-	1,706	1,338
British Columbia Assessment Authority	-	308,505	282,128
BC Transit Authority	-	1,624,677	1,455,494
Regional District	-	3,603,033	3,389,285
<b>Total</b>	<b>-</b>	<b>16,847,523</b>	<b>15,404,621</b>
<b>Gross taxes collected</b>	<b>\$ -</b>	<b>\$ 31,413,502</b>	<b>\$ 29,111,253</b>

### 13. Government transfers

The following government transfers have been included in revenues:

	Budget	2022	2021
<b>Transfers</b>			
Provincial	\$ 753,000	\$ 1,010,554	\$ 487,500
Federal	553,000	552,971	1,081,813
	<b>\$ 1,306,000</b>	<b>\$ 1,563,525</b>	<b>\$ 1,569,313</b>

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 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, 2022

### 14. Segmented information continued

#### **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, 2022

### 14. Segmented information continued

December 31, 2022	General Government	Protective Services	Solid Waste Management and Environment	Planning and Community	Transportation	Parks, Recreation and Cultural	Water Utility	Sewer Utility	2022
<b>Revenues</b>									
Taxes available for municipal purposes	\$ 13,196,122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 974,400	\$ 395,457	\$ 14,565,979
Sale of services	149,142	93,618	72,978	762,192	87,997	56,791	3,656,094	1,562,671	6,441,483
Income from portfolio investments	556,355	-	-	-	-	-	118,122	154,258	828,735
Contributed assets	-	-	-	-	83,350	-	-	-	83,350
Government transfers	1,563,525	-	-	-	-	-	-	-	1,563,525
Other revenue (includes gain on disposal of capital assets)	69,490	-	-	-	45,326	-	43,000	162,191	320,007
	15,534,634	93,618	72,978	762,192	216,673	56,791	4,791,616	2,274,577	23,803,079
<b>Expenses</b>									
Salaries, wages and employee benefits	2,354,183	1,141,103	53,275	1,203,712	1,640,035	387,095	609,012	246,722	7,635,137
Contracted services	1,483,016	2,566,700	56,089	261,334	334,562	1,264,673	59,272	726,730	6,752,376
Supplies and materials	156,833	189,371	1,410	10,616	216,317	75,087	2,801,599	158,039	3,609,272
Interest and bank charges	15,101	55,440	-	-	-	-	-	184,239	254,780
Amortization	240,437	350,613	-	10,292	1,399,569	120,334	249,597	632,407	3,003,249
Loss on disposal of capital assets	10,775	788	-	-	-	239,587	5,694	-	256,844
	4,260,345	4,304,015	110,774	1,485,954	3,590,483	2,086,776	3,725,174	1,948,137	21,511,658
Annual surplus (deficit)	\$ 11,274,289	\$ (4,210,397)	\$ (37,796)	\$ (723,762)	\$ (3,373,810)	\$ (2,029,985)	\$ 1,066,442	\$ 326,440	\$ 2,291,421

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 14. Segmented information continued

December 31, 2021	General Government	Protective Services	Solid Waste Management and Environment	Planning and Community	Transportation	Parks, Recreation and Cultural	Water Utility	Sewer Utility	2021
<b>Revenues</b>									
Taxes available for municipal purposes	\$ 12,599,998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 721,650	\$ 384,984	\$ 13,706,632
Sale of services	134,499	71,218	64,169	935,007	110,796	58,686	3,856,883	1,444,024	6,675,282
Income from portfolio investments	366,729	-	-	-	-	-	46,450	60,660	473,839
Contributed assets	209,232	-	-	-	-	-	30,325	3,600	243,157
Government transfers	1,569,313	-	-	-	-	-	-	-	1,569,313
Other revenue	232,562	13,425	-	3,669	68,149	-	31,528	204,007	553,340
	15,112,333	84,643	64,169	938,676	178,945	58,686	4,686,836	2,097,275	23,221,563
<b>Expenses</b>									
Salaries, wages and employee benefits	2,153,389	788,139	49,312	1,076,639	1,500,196	398,168	536,854	263,096	6,765,793
Contracted services	1,422,170	2,164,824	35,466	239,479	458,430	1,255,026	42,810	685,206	6,303,411
Supplies and materials	119,981	172,307	1,069	7,584	150,312	85,703	2,886,403	171,277	3,594,636
Interest and bank charges	13,122	55,440	-	-	-	-	-	173,765	242,327
Amortization	302,386	304,001	-	10,523	1,379,581	118,808	239,325	599,562	2,954,186
	4,011,048	3,484,711	85,847	1,334,225	3,488,519	1,857,705	3,705,392	1,892,906	19,860,353
Annual surplus (deficit)	\$ 11,101,285	\$ (3,400,068)	\$ (21,678)	\$ (395,549)	\$ (3,309,574)	\$ (1,799,019)	\$ 981,444	\$ 204,369	\$ 3,361,210

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 15. Budget data

The budget data presented in these financial statements is based upon the 2022 budget in Financial Plan Bylaw #1539, Schedule A passed by Council on May 2, 2022.

	<b>2022</b>
<b>Revenues</b>	
Taxes available for municipal purposes	\$ 14,507,800
Water utility fees and charges	3,649,700
Sewer utility fees and charges	1,572,700
General sale of services	1,143,800
Income from portfolio investments	360,000
Government transfers	1,306,000
Other revenue	281,700
<b>Total revenue</b>	<b>22,821,700</b>
<b>Expenses</b>	
Interest and bank charges	229,300
Amortization	3,557,000
General operating fund	16,468,450
Water operating fund	3,605,000
Sewer operating fund	1,294,700
<b>Total expenses</b>	<b>25,154,450</b>
<b>Annual deficit before allocations</b>	<b>(2,332,750)</b>
<b>ALLOCATIONS</b>	
<b>Add</b>	
Amortization expense	3,557,000
Transfers from surplus	1,689,000
Transfers from reserve funds	8,269,650
<b>Total additions</b>	<b>13,515,650</b>
<b>Deduct</b>	
Principal payments on debt	269,300
Capital expenditures	10,913,600
<b>Total deductions</b>	<b>11,182,900</b>
<b>Financial Plan balance</b>	<b>\$ -</b>

# District of North Saanich

## Notes to the Financial Statements

Year ended December 31, 2022

### 16. Subsequent event

On December 5, 2022, the District was named as a beneficiary of two North Saanich properties with a total assessed value of \$2,014,900. The transfer of these properties to the District is expected to occur in late 2023.

### 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, 2022

UNAUDITED

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

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The District of North Saanich received a \$2,711,000 COVID-19 Restart Grant for Local Governments in November, 2020. Please see the schedule below for a summary of the eligible costs incurred in 2022.

Balance, year ending December 31, 2021		\$ 1,608,292
Eligible 2022 costs incurred:		
Revenue shortfalls	(387,500)	
General Government	(210,765)	
Protective Services	(15,223)	
Planning and Community	<u>(90,000)</u>	
Total eligible costs:		(703,488)
Balance, year ending December 31, 2022		<u>\$ 904,804</u>