



DISTRICT OF LANTZVILLE

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

**DISTRICT OF LANTZVILLE
FINANCIAL STATEMENTS**

Year Ended December 31, 2022

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DISTRICT OF LANTZVILLE

STATEMENT OF RESPONSIBILITY

The accompanying financial statements of the District of Lantzville (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 for local governments as recommended by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in the notes to the financial statements. The preparation of financial statements involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The 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.

Council meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to Council's approval of the financial statements.

The financial statements have been audited by MNP LLP, independent external auditors appointed by the District. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the District's financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the District in accordance with Canadian public sector accounting standards.



Ronald Campbell, CLGM
Chief Administrative Officer
July 21, 2023

Independent Auditor's Report

To the Mayor and Council of the District of Lantzville:

Opinion

We have audited the financial statements of the District of Lantzville (the "District"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, accumulated remeasurement gains and losses, 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 and other explanatory information.

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 the results of its operations, changes in its 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 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 Information

Management is responsible for the other information. The other information comprises the annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

Nanaimo, British Columbia

July 26, 2023

MNP LLP

Chartered Professional Accountants

MNP

District of Lantzville



STATEMENT OF FINANCIAL POSITION

As at December 31, 2022 with comparative information for 2021

	2022	2021
Financial assets:		
Cash (Note 3)	\$ 10,505,387	\$ 9,255,710
Investments (Note 3)	4,265,473	3,975,590
Taxes receivable	241,338	185,581
Accounts receivable	401,425	396,453
	<u>15,413,624</u>	<u>13,813,334</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	867,528	803,522
Deposits	1,315,770	395,418
Deferred revenue (Note 4)	3,969,758	4,088,904
Prepaid property taxes	336,221	293,093
Employee future benefits obligations (Note 5)	257,365	219,532
Debt (Note 6 and Note 7)	4,077,655	4,189,792
	<u>10,824,297</u>	<u>9,990,261</u>
Net financial assets	4,589,327	3,823,073
Non-financial assets:		
Tangible capital assets (Note 8 and Schedule A)	66,864,707	64,289,862
Inventory of supplies	14,687	14,699
Prepaid expenses	22,735	32,198
	<u>66,902,129</u>	<u>64,336,759</u>
Accumulated surplus (Note 9)	\$ 71,491,456	\$ 68,159,832
Accumulated surplus represented by:		
Accumulated surplus, excluding accumulated remeasurement losses	\$ 71,625,573	\$ 68,159,832
Accumulated remeasurement losses	(134,117)	
Accumulated surplus	<u>\$ 71,491,456</u>	<u>\$ 68,159,832</u>

Commitments and contingencies (Note 14)

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

Approved by:

Rose Liu, CPA, CMA, MBA, PCP

Director of Financial Services

District of Lantzville



STATEMENT OF OPERATIONS

As at December 31, 2022 with comparative information for 2021

	Financial Plan (Note 10)	2022	2021
Revenue:			
Taxation, net (Note 11)	\$ 3,624,600	\$ 3,753,054	\$ 2,954,176
Sales of services	1,055,500	1,587,074	1,928,497
Grants and government transfers (Note 12)	7,376,900	815,186	1,533,748
Investment income	75,000	297,832	106,281
Penalties and fines	22,822	47,203	42,087
Development cost charges earned	397,500	330,938	372,575
Contributions from developers and others	-	1,968,000	4,044,470
Other revenue from own sources	521,778	42,308	167,472
Total revenues	13,074,100	8,841,594	11,149,306
Expenses: (Note 13 and Schedule C)			
General government services	1,566,780	1,460,652	1,583,619
Transportation services	1,049,920	1,172,638	1,069,925
Protective services	553,200	545,537	537,337
Bylaw enforcement	69,500	73,512	69,940
Solid waste collection	238,900	205,613	248,121
Recreation and cultural services	475,720	251,363	195,751
Community development services	281,100	244,904	292,506
Building inspection	147,900	127,320	108,180
Sewer	414,870	468,162	412,287
Water	596,110	826,152	565,938
Total expenses	5,394,000	5,375,853	5,083,604
Annual surplus	7,680,100	3,465,741	6,065,702
Accumulated surplus, beginning of year	68,159,832	68,159,832	62,094,130
Accumulated surplus, end of year	\$ 75,839,932	\$ 71,625,573	\$ 68,159,832

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

District of Lantzville



STATEMENT OF REMEASUREMENT GAINS AND LOSSES As at December 31, 2022 with comparative information for 2021

	2022	2021
Accumulated remeasurement losses, Beginning of year	\$ -	\$ -
Unrealized loss attributable to portfolio investments	(134,117)	
Net remeasurement loss, for the year	(134,117)	-
Accumulated remeasurement loss, End of year	\$ (134,117)	\$ -

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

District of Lantzville



STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

As at December 31, 2022 with comparative information for 2021

	Financial Plan (Note 10)	2022	2021
Annual surplus	\$ 7,680,100	\$ 3,465,741	\$ 6,065,702
Acquisition of tangible capital assets	(12,113,900)	(1,978,565)	(3,492,947)
Contributions of tangible capital assets	-	(1,781,000)	(3,769,419)
Amortization of tangible capital assets	931,000	1,137,946	1,009,894
(Gain) Loss on the disposal of tangible capital assets	-	46,775	-
	(3,502,800)	890,897	(186,770)
Acquisition and consumption of inventory of supplies	-	12	6,089
Acquisition and consumption of prepaid expenses	-	9,462	5,644
	-	9,474	11,733
Remeasurement losses		(134,117)	-
Change in net financial assets	(3,502,800)	766,253	(175,037)
Net financial assets at beginning of year	3,823,073	3,823,074	3,998,110
Net financial assets at end of year	\$ 320,273	\$ 4,589,327	\$ 3,823,073

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

District of Lantzville



STATEMENT OF CASH FLOWS

As at December 31, 2022 with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating transactions:		
Annual surplus	\$ 3,465,741	\$ 6,065,702
Items not involving cash:		
Amortization of tangible capital assets	1,137,946	1,009,894
(Gain) Loss on disposal and write-down of tangible capital assets	46,775	-
Contributions of tangible capital assets	(1,781,000)	(3,769,419)
Unrealized loss attributable to portfolio investments	(134,117)	
Changes in non-cash operating assets and liabilities:		
Accounts receivable	(4,972)	659,457
Investments	(289,883)	-
Taxes receivable	(55,757)	(51,744)
Accounts payable and accrued liabilities	64,005	(672,190)
Deposits	920,352	(133,464)
Deferred revenue	(119,145)	590,082
Prepaid property taxes	43,128	65,562
Employee future benefit obligations	37,832	58,144
Inventory of supplies	12	6,089
Prepaid expenses	9,462	5,644
Cash provided by operating transactions	3,340,378	3,833,757
Capital transactions:		
Acquisition of tangible capital assets	(1,978,565)	(3,492,947)
Cash used in capital transactions	(1,978,565)	(3,492,947)
Financing transactions:		
Proceeds from (repayments of) borrowing	(112,137)	(110,208)
Investing transactions:		
Changes in investments held	-	(54,352)
Increase in cash and cash equivalents	1,249,677	176,250
Cash and cash equivalents, beginning of year	9,255,710	9,079,460
Cash and cash equivalents, end of year	\$ 10,505,387	\$ 9,255,710

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

The District of Lantzville is a municipality that was incorporated on June 25, 2003 pursuant to the issue of Letters Patent dated April 3, 2003. The District operates under the provisions of the *Local Government Act* and *Community Charter* of British Columbia. The District's principal activities include the provision of local government and services to residents of the incorporated area. These services include government, fire protection, transportation, solid waste collection, parks and recreation, planning and development, and water and sewer services.

1. Significant Accounting Policies:

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

(a) Reporting Entity:

The financial statements include a combination of all the assets, liabilities, accumulated surplus, revenues, and expenses of all the District's activities and funds. Inter-departmental balances and organizational transactions have been eliminated.

Consolidated entities: The District does not control any significant external entities and accordingly no entities have been consolidated with the financial statements.

(b) Basis of Accounting:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

1. Significant Accounting Policies: (Continued)

(c) Revenue Recognition:

i. Taxation Revenue

Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal purposes. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. Taxes are recognized as revenue in the year they are levied.

Through the BC Assessment appeal process, taxes may be adjusted by way of supplementary roll adjustments. The impacts of these adjustments on taxes are recognized at the time they are awarded.

ii. Development Cost Charges

Development cost charges are recognized as revenue during the period in which the related costs are incurred.

iii. Government Transfers

Government transfers without stipulations restricting their use are recognized in the financial statements as revenue in the period in which the transfers are authorized. Government transfers with stipulations restricting their use are recognized in the financial statements as revenues in the period in which eligible expenses are incurred provided they are authorized and meet eligible criteria.

iv. Sale of Services

Sales of services and user fee revenues are recognized when the service or product is rendered by the District and the amounts are received or become receivable.

v. Investment Income

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

1. Significant Accounting Policies: (Continued)

(d) Cash and Investments:

Cash and investments consist of cash on deposit in qualifying institutions as defined in the *Community Charter*. Investments are recorded at cost plus amounts reinvested.

(e) Employee Future Benefits Payable:

The District and its employees make contributions to the Municipal Pension Plan. The District's contributions are expensed as incurred.

Sick leave and other retirement benefits are also available to the District's employees. The costs of these benefits are estimated based on the actual service and current salary and wage. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(f) Deposits:

Receipts restricted by third parties are deferred and reported as deposits and are refundable under certain circumstances. Deposits that are prepayments are recognized as revenue when qualifying expenditures are incurred.

(g) Debt:

Debt is presented net of repayments and actuarial adjustments.

(h) Non-Financial Assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of business. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

1. Significant Accounting Policies: (Continued)

(i) Tangible Capital Assets:

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

Asset	Useful Life – Years
Land	Indefinite
Land Improvement	10 – 50
Buildings	15 – 80
Equipment	5 – 10
Roads Infrastructure	10 – 75
Vehicles	10 – 25
Sewer Infrastructure	10 – 100
Water Infrastructure	10 – 100

Amortization is calculated annually. Assets under construction are not amortized until the asset is available for productive use.

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

i. Contributions of Tangible Capital Assets:

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

ii. Works of Art, and Historical Treasures:

The District manages and controls various works of art and non-operational historical cultural assets. These assets are not recorded as tangible capital assets and are not amortized due to the subjectivity of their value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

1. Significant Accounting Policies: (Continued)

Tangible Capital Assets: (Continued)

iii. Interest Capitalization:

The District capitalizes interest costs associated with the acquisition or construction of a tangible capital asset.

iv. Leased Tangible Capital Assets:

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

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

- An environmental standard exists;
- Contamination exceeds the environmental standard;
- The District is directly responsible or accepts responsibility;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

As a result of a review of District of Lantzville sites, no liability has been recorded in these financial statements. If a liability is determined, it will be recorded net of any expected recoveries.

vi. Inventory of Supplies:

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

(j) 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 at a point in time, the reported amounts of revenues and expenses during the reporting period, and the disclosure of contingent assets and liabilities at the date of the financial

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

1. Significant Accounting Policies: (Continued)

Use of Estimates: (Continued)

statements. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, estimating provisions for accrued liabilities, and in estimating provisions of employee future benefits. Actual results could differ from these estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

(k) Comparative Figures:

Certain comparative figures have been reclassified to conform with presentation adopted in the current year.

(l) Adoption of new accounting policies:

The District has early adopted the following new standards from PSAB, effective January 1, 2022. The adoption of the following new standards did not have a material impact on the District's financial statements except as indicated below for equity instruments quoted in an active market and portfolio investments.

PS 3450 Financial Instruments

The new section PS 3450 includes recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives. The new section is applied prospectively, and prior periods have not been restated.

The District recognizes investments in equity instruments quoted in an active market and portfolio investments at fair market value. The effect in the current year of adopting this new accounting policy is to decrease portfolio investments by \$134,117 and increase accumulated remeasurement losses by \$134,117.

(m) Upcoming accounting standard

PS 3280 Asset Retirement Obligations

Public sector entities in Canada have legal obligations to retire certain tangible capital assets at the end of their lives. In August 2018, new PS 3280 Asset Retirement Obligations (ARO) was included in the CPA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

1. Significant Accounting Policies: (Continued)

Upcoming accounting standard: (Continued)

Canada Public Sector Accounting Handbook (PSA HB). PS 3280 will be effective fiscal year 2023 for the District.

The new PS 3280 establishes standards on how to account for and report a liability for ARO. The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic matter.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.
- The best method to estimate the liability is often a present value technique.

Management is in the process of assessing the impact of adopting this standard on the District's financial results.

2. Financial Instruments:

The District's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities, deposits, and debt. Qualitative and quantitative analysis of the significant risks from the District's financial assets and liabilities is provided below:

(a) Credit Risk

Credit risk is the risk of loss due to the failure by debtors to meet contractual obligations. The District is exposed to credit risk typically due to difficulty in collecting receivables. As at December 31, 2022, the amount of accounts receivable was \$401,425 (\$396,453 – 2021), half of which is utility user fees. The District's utility billing date is mid-December with payment due in 30 days. This results in user fee receivable going into each new year. However, in accordance with Section 258 of the *Community Charter*, outstanding balances of utility accounts in default are liens against property until they are paid. This statutory process allows the District to collect unpaid user fees by adding it to property taxes and initiate a tax sale process; therefore, mitigate the credit risk imposed on the District.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

2. Financial Instruments: (Continued)

(b) Market and Interest Rate Risk

Market risk is the risk that changes in market prices and inputs, such as interest rates, which will affect the District's financial assets' value. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk. The District mitigates market risk by holding cash balances with highly regulated credit unions as well as managing a diversified investment portfolio by following the investment policy which is approved by the District's Council.

Interest rate risk is the risk that the fair market value of a financial instrument will fluctuate because of changes in the market interest rates. There was a significant increase in interest rates during 2022. Bank of Canada increased its policy interest rate to 4.25% from 0.25% in 2022.

The significant rise in market interest rates during 2022 resulted in a threefold increase of the District's investment income from \$106,281 in 2021 to \$297,832 in 2022. Meantime, the District had accumulated remeasurement losses (- \$134,117) on the Statement of Remeasurement Gains and Losses due to the decrease in market value from Bonds and other investments. This loss reflects a decrease in the value of an investment before it is sold.

(c) Liquidity Risk

Liquidity risk is the risk that an entity will not have sufficient cash to meet its financial commitments in a timely manner. The District maintains adequate levels of cash flow to ensure all its obligations can be met when they are due.

Unless otherwise noted, it is management's opinion that the District is not exposed to significant risks mentioned above arising from its financial instruments.

3. Cash and Investments:

Cash and investments are comprised of cash on hand, cash on deposit in financial institutions and investments held in the Municipal Finance Authority of British Columbia investment funds.

District of Lantzville



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

3. Cash and Investments: (Continued)

	2022	2021
Cash	\$ 10,505,387	\$ 9,255,710
Investments	4,265,473	3,975,590
	\$ 14,770,860	\$13,231,300

Cash deposited at the Coastal Community Credit Union cash account earns interest at a rate of prime less 2%. The Coastal Community Credit Union high interest savings account earns interest at a rate of prime less 1.45%. At December 31, 2022, the Canadian bank prime rate was 6.45%.

Investments consist of investments in the Municipal Finance Authority of BC money market fund, mortgage fund and bond funds. Investments have yields ranging from -5.36% to 1.93%.

Included in cash and investments are the following restricted amounts:

	2022	2021
Statutory reserves (Note 9)	\$ 6,734,029	\$ 6,348,066
Restricted investments – development cost charges	1,862,545	2,077,626
	\$ 8,596,574	\$ 8,425,692

4. Deferred Revenue:

Deferred revenue is comprised of the following as at December 31:

	2021	Receipts	Interest Earned	Revenue Recognized	2022
Community Works (Gas Tax)	\$1,690,104	\$ 216,543	\$ 42,336	\$ (123,543)	\$ 1,825,440
Development Cost Charges – Water	1,004,358	15,868	25,158	(330,938)	714,446
Development Cost Charges - Sewer	424,637	10,060	10,636	-	445,333
Development Cost Charges - Drainage	438,145	10,992	10,975	-	460,112
Development Cost Charges – Highway	149,847	14,944	3,753	-	168,544
Development Cost Charges – Parkland	60,639	11,951	1,519	-	74,109
Other Deferred Revenue	321,174	800	-	(40,200)	281,774
	\$ 4,088,904	\$ 281,158	\$ 94,377	\$ (494,681)	\$ 3,969,758

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

4. Deferred Revenue: (Continued)

Community Works (Gas Tax) Funds

The Community Works funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the District and the Union of British Columbia Municipalities. These funds may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreement. As of December 31, 2022, The District had committed \$123,542 from the Community Works Fund reserve to carry out eligible capital projects within the District.

Other Deferred Revenue

The following is a reconciliation of the other deferred revenue recognition items for the year:

	2022	2021
Other Deferred Revenue – Opening Balance	\$ 321,174	\$ 31,767
Adjust for:		
First Nations Agreement	-	(329)
Frontage Works – Dickinson Road	-	19,037
Works & Services – 7360 Harby Road	-	265,699
Business Licence Revenue	(4,200)	5,000
Refund Cash In Lieu of Parkland	(35,200)	-
Other Deferred Revenue – Closing Balance	\$ 281,774	\$ 321,174

5. Employee Future Benefit Obligations:

Employee benefit obligations represent accrued benefits as follows:

	2022	2021
Vacation payable	\$ 77,871	\$ 51,726
Accrued sick leave	179,494	167,806
	\$ 257,365	\$ 219,532

Accrued vacation is the amount of vacation entitlement carried forward into the next year. Employee benefit obligations also include accumulated sick leave banks that may be drawn down in future years. These sick

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

5. Employee Future Benefit Obligations: (Continued)

leave entitlements may only be used while employed by the District and are paid out on retirement under certain conditions.

Municipal Pension Plan

The District and its employees contribute to the Municipal Pension Plan ("the Plan"), a jointly trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of assets and administration of the benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2021, the Plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local government.

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 the unfunded actuarial liability.

The most recent actuarial valuation of 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 \$109,123 (2021 - \$107,718) for employer contributions, while employees contributed \$105,020 (2021 - \$95,326) to the Plan in fiscal 2022.

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

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 the individual employers participating in the Plan.

District of Lantzville



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

6. Debt, Net of Municipal Finance Authority Sinking Fund Deposits:

The District issues debt instruments through Municipal Finance Authority (MFA) pursuant to security issuing bylaws under authority of the *Community Charter* to finance certain capital expenditure. All of the District's debt held is with the MFA. Payments and actuarial allocations on the gross amount borrowed in 2021 of \$4,300,000 are held in a sinking fund by the MFA. Sinking fund assets, managed by the MFA, are used to reduce long-term debt to be repaid. In the event that the District does not default under any of its obligations, the sinking fund earnings will be used to offset future principal repayments.

	2022	2021
Total outstanding debt – beginning of year	\$ 4,189,792	\$ 4,300,000
Proceeds from long-term borrowing	-	-
Reduction of long-term debt	112,137	110,208
Total outstanding debt – end of year	\$ 4,077,655	\$ 4,189,792

Anticipated annual principal and interest payments over the next five years are as follows:

	Payment
2023	\$ 149,338
2024	149,338
2025	149,338
2026	149,338
2027	149,338
Total	\$ 746,690

Bylaw #	MFA Issue #	Interest Rate	Year Matures	Balance 2022	Balance 2021
Sewer Fund – Sewer Phase 3					
Reginal District Bylaw 1811	152	0.91%	2050	\$ 4,077,655	\$ 4,189,792
				\$ 4,077,655	\$ 4,189,792

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

7. Municipal Finance Authority Debt Reserve Fund:

MFA provides capital financing for regional districts and their member municipalities. The MFA is required to establish a Debt Reserve Fund (DRF). Each regional district, through its member municipalities who share in the proceeds of a debt issue, is required to pay into the debt reserve certain amounts set out in the debt agreements. The MFA pays into the DRF these monies from which interest earned thereon less administrative expenses becomes an obligation to the regional districts. It must then use this fund if at any time there are insufficient funds to meet payments on its obligations. When this occurs, the regional districts may be called upon to restore the fund.

Upon the maturity of a debt issue, the unused portion of the DRF established for that issue will be discharged to the District. The proceeds from these discharges will be credited to income in the year they are received. As at December 31, 2022, the District's MFA DRF balance is:

	DRF Cash	DRF Demand Note
MFA Debt Reserve Fund	\$ 44,920	\$ 31,669

8. Tangible Capital Assets (Schedule A):

(a) Assets under construction:

Assets under construction having a value of \$397,108 (2021 - \$1,649,796) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed capital assets are recognized at fair market value at the date of contribution. The value of contributed capital assets received during the year is \$1,781,000 (2021 - \$3,769,419).

(c) Tangible capital assets disclosed at nominal values:

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

(d) Interest capitalized:

No interest was capitalized with the acquisition or construction of a tangible capital asset during the year.

District of Lantzville



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

9. Accumulated Surplus:

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

	2022	2021
Equity in Tangible Capital Assets	\$ 62,787,052	\$ 60,100,070
Operating Fund	2,104,492	1,711,696
Statutory Reserve Funds	6,734,029	6,348,066
Accumulated remeasurement gains and losses	(134,117)	-
	\$ 71,491,456	\$ 68,159,832

Reserve funds are comprised of the statutory reserve funds shown in Schedule B.

10. Annual Budget:

These financial statements include the Annual Budget as adopted by Council on December 1, 2021. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the financial statements and the annual financial plan bylaw:

	2022
Annual Budgeted Surplus – Statement of Operations	\$ 7,680,100
Adjust for:	
Capital expenditures	(12,113,900)
Proceeds from borrowing	2,623,000
Debt principal payments	(110,200)
Transfer from reserves	1,087,400
Internal borrowing repayment	(97,400)
Amortization	931,000
Net Annual Budget – as approved by Council	\$ -

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

11. Net Taxes Available for Municipal Purposes:

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

	2022	2021
Taxes:		
Property / parcel taxes	\$ 8,320,133	\$ 6,668,937
Payments in lieu of taxes	35,693	30,612
1% utility taxes	57,791	56,995
	8,413,617	6,756,544
Less taxes levied for other authorities:		
School District	2,698,331	2,349,430
Policing	291,150	273,916
Regional Hospital District	571,050	283,703
Regional District of Nanaimo	1,032,659	837,820
BC Assessment Authority	67,008	57,231
Municipal Finance Authority	365	268
	4,660,563	3,802,368
Net taxes available for municipal purposes	\$ 3,753,054	\$ 2,954,176

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

12. Grants and Government Transfers:

	2022	2021
Operating transfers from provincial government:		
Strategic Communities Investment Fund Grant	-	\$ 458,000
Climate Action	\$ 67,082	
Other	-	82,561
Capital transfers from provincial government:		
New Building Canada Fund – Small Communities Fund	580,000	328,000
Capital transfers from federal government:		
Canada Community Revitalization Fund	32,115	-
Federal Gas Tax	123,543	482,766
Other contributions:		
Capital	-	133,000
Other	12,446	49,421
	\$ 815,186	\$ 1,533,748

COVID Recovery Funding

In November 2020, the Province of British Columbia announced COVID-19 Safe Restart Grants for Local Governments. The District received \$1,220,000 of funds at that time to assist with increased operating costs and lower revenue due to COVID-19. The following outlines how the funds were allocated during the year:

	2022	2021
Balance forward, December 31	\$ 754,950	\$ 1,167,494
Eligible costs incurred:		
Information technology requirements	(138,709)	(71,114)
Facility safety improvements	(40,986)	(11,278)
Wages & benefits	(41,858)	(30,000)
Reserve fund contributions	(126,574)	(312,200)
Interest earned	18,911	12,048
Balance, December 31, 2022 (Included in Operating Reserves)	\$ 425,734	\$ 754,950

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

13. Expenditure by Object and Segment:

The District's operations and activities are organized and reported by Fund. These Funds include General, Water, and Sewer. The District's expenditures by object are reported in Schedule C – Schedule of Segment Disclosures. The following are the activities/services provided by each of the segments reported on:

GENERAL FUND

General Government

General government services include all administrative aspects of the District including corporate administration, finance, human resources and legislated services to the residents of the District.

Transportation Services

Transportation services are comprised of annual maintenance of all municipally owned roads, storm drainage, sidewalks, street signs, street lighting, traffic signals and transportation vehicle fleet used to provide services to the District.

Protective Services

Protective services include the fire department and emergency planning.

Bylaw Enforcement

Bylaw enforcement services include enforcement of regulatory bylaws.

Solid Waste Collection

Solid waste management includes fees related to residential solid waste curbside collection services.

Recreation and Cultural Services

Recreation and Cultural Services is comprised of services meant to improve the health and development of citizens of Lantzville. This segment includes maintenance and development of all parks and green spaces within the District.

Community Development Services

Community development services includes land use planning, subdivision, development, and mapping.

Building Inspection

Building inspection services ensure the health, safety, and protection of persons and property by confirming that buildings and their systems generally conform to the BC Building Code and other applicable standards.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022 with comparative information for 2021

13. Expenditure by Object and Segment: (Continued)

Sewer Fund

Sewer services includes the management and maintenance of the sanitary sewer collection system.

Water Fund

Water services includes the management and maintenance of the water distribution system including reservoirs, wells, and hydrants.

14. Commitments and Contingencies:

- (a) The Regional District of Nanaimo (RDN) debt, under provisions of the *Local Government Act*, is a direct, joint and several liability of the RDN and each member municipality within the RDN, including the District.
- (b) The District committed \$635,860 to Lantzville Road Watermain Project scheduled for completion in 2023.
- (c) The District is a defendant in various lawsuits. The District records an accrual in respect to legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. The District is insured through membership in the Municipal Insurance Association (MIA) of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$10,000. Should the MIA pay out claims in excess of premiums received, it is possible that the District, along with other participants, would be required to contribute towards the deficit.

District of Lantzville



SCHEDULE A - TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2022

	<div>Infrastructure</div>										
	Land	Land Improvements	Buildings	Vehicles	Equipment	Roads	Sewer	Water	Assets Under Construction	2022	2021
HISTORICAL COST:											
Opening Balance	\$ 18,001,197	\$ 1,932,138	\$ 2,093,153	\$ 2,167,571	\$ 399,715	\$ 17,659,375	\$ 17,003,492	\$ 15,743,300	\$ 1,649,796	\$ 76,649,736	\$ 69,399,868
Additions	1,105,000	-	-	395,105	299,814	496,152	23,367	1,075,718	364,409	3,759,565	17,281,774
Disposal	-	-	-	-	-	-	-	-	(46,775)	(46,775)	(12,495)
Transfers	1,405,188	-	-	38,204	52,242	23,087	8,539	43,062	(1,570,322)	-	(10,019,411)
Closing Balance, Dec 31	20,511,385	1,932,138	2,093,153	2,600,880	751,771	18,178,614	17,035,398	16,862,080	397,108	80,362,526	76,649,736
ACCUMULATED AMORTIZATION:											
Opening Balance	-	509,092	1,121,622	856,399	334,148	5,587,716	1,405,536	2,545,361	-	12,359,874	11,362,475
Amortization Expense	-	58,336	45,619	104,029	51,543	447,296	191,898	239,225	-	1,137,946	1,009,894
Disposal	-	-	-	-	-	-	-	-	-	-	(12,495)
Closing Balance, Dec 31	-	567,428	1,167,241	960,428	385,691	6,035,012	1,597,434	2,784,586	-	13,497,820	12,359,874
NET BOOK VALUE	\$ 20,511,385	\$ 1,364,710	\$ 925,912	\$ 1,640,452	\$ 366,080	\$ 12,143,602	\$ 15,437,964	\$ 14,077,494	\$ 397,108	\$ 66,864,707	\$ 64,289,862

District of Lantzville



SCHEDULE B - RESERVE FUNDS (UNAUDITED)

For the year ended December 31, 2022

GENERAL FUND

	Operating Reserve	Capital Works	Facilities Lifecycle	Asset Replacement	Fire Truck	Parks Development	Parks Acquisition	Community Amenity Contributions	One Time Project
Opening Balance	\$ 917,395	1,216,897	1,525,674	445,724	653,142	17,479	72,949	12,000	
Transfers in	23,100	650,000	132,100	107,000	108,200		32,500	147,000	50,000
Interest earned	22,980	20,757	38,216	11,165	16,360	438	1,827	300	
Transfers out	(388,127)	(450,570)	(96,490)	(315,064)	(374,421)		(11,417)	-	
Closing Balance	\$ 575,348	\$ 1,437,084	\$ 1,599,500	\$ 248,825	\$ 403,282	\$ 17,917	\$ 95,859	\$ 159,300	\$ 50,000

SEWER FUND

WATER FUND

	Asset Replacement	Debt Repayment	Asset Replacement	Water Expansion	2022	2021
Opening Balance	\$ 456,149	\$ 389,486	\$ 1,558,566		\$ 7,265,460	\$ 6,188,481
Transfers in	120,800	23,324	407,823	40,000	1,841,847	3,892,129
Interest earned	11,426	9,756	48,764		181,989	63,867
Transfers out	(47,234)		(296,598)		(1,957,418)	(2,879,017)
Closing Balance	\$ 541,141	\$ 422,566	\$ 1,718,555	\$ 40,000	\$ 7,309,377	\$ 7,265,460



SCHEDULE C – 2022 STATUTORY SEGMENT DISCLOSURES

For the year ended December 31, 2022

	General Government Services	Transportation Services	Protective Services	Bylaw Enforcement	Solid Waste Collection	Recreation and Cultural Services	Community Development Services	Building Inspection	Sewer	Water	2022	2022 Financial Plan
REVENUE												
Taxation	\$ 3,186,049	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,481	\$ 369,524	\$ 3,753,054	\$ 3,624,600
Sales and services	16,132	-	-	-	264,877	-	149,187	182,000	424,001	550,878	1,587,074	1,055,500
Grants and government transfers	699,073	112,838	3,275	-	-	-	-	-	-	-	815,186	7,376,900
Investment income	296,850	-	-	-	-	-	-	-	981	-	297,832	75,000
Penalties and fines	26,936	-	-	-	4,690	-	-	-	6,358	9,219	47,203	22,822
Development charges earned	-	-	-	-	-	-	-	-	-	330,938	330,938	397,500
Contributions from developers and others	-	-	-	-	-	-	187,000	-	-	1,781,000	1,968,000	-
Other revenue from own sources	3,446	-	31,850	-	-	6,251	-	-	-	760	42,308	521,778
	4,228,487	112,838	35,125	-	269,567	6,251	336,187	182,000	628,821	3,042,319	8,841,594	13,074,100
EXPENSES												
Salaries, wages, and benefits	1,019,781	137,151	228,269	-	-	150,945	204,162	73,821	58,887	213,729	2,086,745	1,963,400
Materials and supplies	137,488	181,994	104,014	11	-	43,965	-	365	21,651	73,325	562,813	369,700
Contracted services	205,423	228,121	48,925	73,501	205,613	196	20,972	53,134	129,328	40,076	1,005,289	873,700
Other	15,933	144,401	56,674	-	-	20,088	19,771	-	27,268	259,797	543,931	1,216,900
Amortization	82,027	480,970	107,657	-	-	36,168	-	-	191,898	239,225	1,137,946	931,000
Debt Servicing	-	-	-	-	-	-	-	-	39,130	-	39,130	39,300
	1,460,652	1,172,638	545,537	73,512	205,613	251,363	244,904	127,320	468,162	826,152	5,375,853	5,394,000
SURPLUS / (DEFICIT)	\$ 2,767,836	\$ (1,059,800)	\$ (510,412)	\$ (73,512)	\$ 63,953	\$ (245,113)	\$ 91,283	\$ 54,680	\$ 160,659	\$ 2,216,167	\$ 3,465,741	\$ 7,680,100



SCHEDULE C - 2021 STATUTORY SEGMENT DISCLOSURES

For the year ended December 31, 2021

	General Government Services	Transportation Services	Protective Services	Bylaw Enforcement	Solid Waste Collection	Recreation and Cultural Services	Community Development Services	Building Inspection	Sewer	Water	2021	2021 Financial Plan
REVENUE												
Taxation	\$2,543,452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,724	\$ 363,000	\$ 2,954,176	\$ 2,958,294
Sales and services	-	-	-	-	248,164	-	76,877	169,000	381,440	1,053,016	1,928,497	1,078,997
Grants and government transfers	638,098	482,767	4,260	-	-	-	77,629	-	328,000	2,994	1,533,748	9,452,643
Investment income	101,566	-	-	-	-	-	-	-	4,715	-	106,281	82,500
Penalties and fines	24,034	-	-	7,650	-	-	-	-	4,315	6,088	42,087	29,522
Development charges earned	-	329,513	-	-	-	-	-	-	-	43,062	372,575	401,163
Contributions from developers and others	546,895	275,051	-	-	-	-	-	-	90,063	3,132,461	4,044,470	3,000
Other revenue from own sources	55,536	-	29,525	-	-	8,550	72,981	-	-	880	167,472	288,188
	3,909,581	1,087,331	33,785	7,650	248,164	8,550	227,487	169,000	856,257	4,601,501	11,149,306	14,294,299
EXPENSES												
Salaries, wages, and benefits	1,033,537	119,412	195,040	-	-	111,362	195,760	53,842	59,088	199,528	1,967,569	1,834,418
Materials and supplies	147,847	166,684	148,111	1,030	-	36,534	499	940	15,861	69,273	586,779	548,700
Contracted services	239,640	142,331	81,517	68,910	248,121	-	11,665	53,398	107,302	9,606	962,490	854,399
Other	93,338	180,953	35,013	-	-	14,854	84,582	-	73,997	74,136	556,873	605,413
Amortization	69,257	460,545	77,656	-	-	33,001	-	-	156,039	213,395	1,009,893	906,000
	1,583,619	1,069,925	537,337	69,940	248,121	195,751	292,506	108,180	412,287	565,938	5,083,604	4,748,930
SURPLUS / (DEFICIT)	\$ 2,325,962	\$ 17,406	\$ (503,552)	\$ (62,290)	\$ 43	\$ (187,201)	\$ (65,019)	\$ 60,820	\$ 443,970	\$ 4,035,563	\$ 6,065,702	\$ 9,545,369