

# DISTRICT OF LANTZVILLE

Financial Statements

Year ended December 31, 2021



**DISTRICT OF LANTZVILLE  
FINANCIAL STATEMENTS**

**Year Ended December 31, 2021**

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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 are 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.

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 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  
May 11, 2022

## Independent Auditor's Report

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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, 2021, and the statements of operations, accumulated surplus, 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, 2021, 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

May 11, 2022

**MNP LLP**

Chartered Professional Accountants

**MNP**  
LLP

## District of Lantzville



### STATEMENT OF FINANCIAL POSITION

As at December 31, 2021 with comparative information for 2020

	2021	2020
<b>Financial assets:</b>		
Cash (Note 3)	\$ 9,255,710	\$ 9,079,460
Investments (Note 3)	3,975,590	3,921,238
Taxes receivable	185,581	133,837
Accounts receivable	396,453	1,055,910
	13,813,334	14,190,445
<b>Financial Liabilities:</b>		
Accounts payable and accrued liabilities	803,522	1,475,712
Deposits	395,418	528,882
Deferred revenue (Note 4)	4,088,904	3,498,822
Prepaid property taxes	293,093	227,531
Employee future benefits obligations (Note 5)	219,532	161,388
Debt (Note 6 and Note 7)	4,189,792	4,300,000
	9,990,261	10,192,335
<b>Net financial assets</b>	<b>3,823,073</b>	<b>3,998,110</b>
<b>Non-financial assets:</b>		
Tangible capital assets (Note 8 and Schedule A)	64,289,862	58,037,392
Inventory of supplies	14,699	20,787
Prepaid expenses	32,198	37,841
	64,336,759	58,096,020
<b>Accumulated surplus (Note 9)</b>	<b>\$ 68,159,832</b>	<b>\$ 62,094,130</b>

Commitments and contingencies (Note 14)

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

Approved by:

*for* *Chugent*  
Raj Hayre, CPA  
Director of Financial Services

## District of Lantzville



### STATEMENT OF OPERATIONS

As at December 31, 2021 with comparative information for 2020

	Financial Plan (Note 10)	2021	2020
<b>Revenue:</b>			
Taxation, net (Note 11)	\$ 2,958,294	\$ 2,954,176	\$ 2,779,505
Sales of services	1,078,997	1,928,497	1,153,600
Grants and government transfers (Note 12)	9,452,643	1,533,748	5,858,507
Investment income	82,500	106,281	128,063
Penalties and fines	29,522	42,087	25,279
Development cost charges earned	401,163	372,575	267,966
Contributions from developers and others	-	4,044,470	-
Other revenue from own sources	291,180	167,472	278,062
<b>Total revenues</b>	<b>14,294,299</b>	<b>11,149,306</b>	<b>10,490,982</b>
<b>Expenses: (Note 13 and Schedule C)</b>			
General government services	1,480,013	1,583,619	1,331,537
Transportation services	1,071,841	1,069,925	914,164
Protective services	522,407	537,337	485,092
Bylaw enforcement	71,068	69,940	39,947
Solid waste collection	238,920	248,121	213,469
Recreation and cultural services	208,889	195,751	184,145
Community development services	244,565	292,506	299,608
Building inspection	34,500	108,180	44,699
Sewer	304,525	412,287	292,930
Water	572,202	565,938	511,373
<b>Total expenses</b>	<b>4,748,930</b>	<b>5,083,604</b>	<b>4,316,964</b>
<b>Annual surplus</b>	<b>9,545,369</b>	<b>6,065,702</b>	<b>6,174,018</b>
<b>Accumulated surplus, beginning of year</b>	<b>62,094,130</b>	<b>62,094,130</b>	<b>55,920,112</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 71,639,499</b>	<b>\$ 68,159,832</b>	<b>\$ 62,094,130</b>

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, 2021 with comparative information for 2020

	Financial Plan (Note 10)	2021	2020
<b>Annual surplus</b>	\$ 9,545,369	\$ 6,065,702	\$ 6,174,018
Acquisition of tangible capital assets	(11,572,000)	(3,492,947)	(8,105,926)
Contributions of tangible capital assets	-	(3,769,419)	-
Amortization of tangible capital assets	906,000	1,009,894	925,938
(Gain) Loss on the disposal of tangible capital assets	-	-	(21,109)
Proceeds on tangible capital assets deposited to reserve	-	-	31,500
	(1,120,631)	(186,770)	(995,579)
Acquisition and consumption of inventory of supplies	-	6,089	9,812
Acquisition and consumption of prepaid expenses	-	5,644	(9,850)
	-	11,733	(38)
<b>Change in net financial assets</b>	(1,120,631)	(175,037)	(995,617)
<b>Net financial assets at beginning of year</b>	3,998,110	3,998,110	4,993,727
<b>Net financial assets at end of year</b>	\$ 2,877,479	\$ 3,823,073	\$ 3,998,110

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



## District of Lantzville



### STATEMENT OF CASH FLOWS

As at December 31, 2021 with comparative information for 2020

	2021	2020
Cash provided by (used in):		
<b>Operating transactions:</b>		
Annual surplus	\$ 6,065,702	\$6,174,018
Items not involving cash:		
Amortization of tangible capital assets	1,009,894	925,938
(Gain) Loss on disposal and write-down of tangible capital assets	-	(21,109)
Contributions of tangible capital assets	(3,769,419)	-
Changes in non-cash operating assets and liabilities:		
Accounts receivable	659,457	(751,862)
Inventories for resale	-	1,897
Taxes receivable	(51,744)	(14,074)
Accounts payable and accrued liabilities	(672,190)	1,270,834
Deposits	(133,464)	(1,038,035)
Deferred revenue	590,082	(1,989,969)
Prepaid property taxes	65,562	13,076
Employee future benefit obligations	58,144	55,096
Inventory of supplies	6,089	9,812
Prepaid expenses	5,644	(9,850)
Cash provided by operating transactions	3,833,757	4,625,772
<b>Capital transactions:</b>		
Proceeds on sale of tangible capital assets	-	31,500
Acquisition of tangible capital assets	(3,492,947)	(8,105,926)
Cash used in capital transactions	(3,492,952)	(8,074,426)
<b>Financing transactions:</b>		
Proceeds from (repayments of) borrowing	(110,208)	4,300,000
<b>Investing transactions:</b>		
Changes in investments held	(54,352)	(105,458)
<b>Increase in cash and cash equivalents</b>	176,250	745,888
<b>Cash and cash equivalents, beginning of year</b>	9,079,460	8,333,572
<b>Cash and cash equivalents, end of year</b>	\$ 9,255,710	\$ 9,079,460

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

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, 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, 2021 with comparative information for 2020

### 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 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, 2021 with comparative information for 2020

### 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, 2021 with comparative information for 2020

### 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 Improvements	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, 2021 with comparative information for 2020

### 1. Significant Accounting Policies: (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:

- i. An environmental standard exists;
- ii. Contamination exceeds the environmental standard;
- iii. The District is directly responsible or accepts responsibility;
- iv. It is expected that future economic benefits will be given up; and
- v. 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### 1. Significant Accounting Policies: (continued)

#### (i) Use of Estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 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.

#### (j) Comparative Figures:

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

### 2. Financial Instruments:

The District's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities, deposits, 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### 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.

	2021	2020
Cash	\$ 9,255,710	\$ 9,079,460
Investments	3,975,590	3,921,238
	<b>\$ 13,231,300</b>	<b>\$13,000,698</b>

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, 2021, the Canadian bank prime rate was 2.45%.

Investments consist of short-term investments in the Municipal Finance Authority of BC money market fund and bond funds. Investments have yields ranging from 1.00% to 1.05%. Investments are recorded at cost.

Included in cash and investments are the following restricted amounts:

	2021	2020
Statutory reserves	\$ 6,348,066	\$ 6,188,481
Restricted investments – development cost charges	2,077,626	1,741,463
	<b>\$ 8,425,692</b>	<b>\$ 7,929,944</b>



# District of Lantzville



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### 4. Deferred Revenue:

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

	2020 Opening	Receipts	Interest Earned	Revenue Recognized	2021
Community Works (Gas Tax)	\$ 1,725,592	\$ 423,483	\$ 17,808	\$ (476,779)	\$ 1,690,104
Development Cost Charges – Water	667,632	372,897	6,890	(43,062)	1,004,357
Development Cost Charges – Sewer	333,022	88,177	3,437	-	424,636
Development Cost Charges – Drainage	366,055	68,314	3,778	-	438,147
Development Cost Charges – Highway	101,251	89,664	1,045	(42,113)	149,847
Development Cost Charges – Parkland	273,503	71,712	2,823	(287,399)	60,639
Other Deferred Revenue	31,767	289,736	-	(329)	321,174
	<b>\$ 3,498,822</b>	<b>\$ 1,403,983</b>	<b>\$ 35,781</b>	<b>\$ (849,682)</b>	<b>\$ 4,088,904</b>

### 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.

### Other Deferred Revenue

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

	2021	2020
Other Deferred Revenue – Opening Balance	\$ 31,767	\$ 1,799,052
Adjust for:		
First Nations Agreement	(329)	-
Frontage Works – Dickinson Road	19,037	-
Works & Services – 7360 Harby Road	265,699	-
Business License Revenue – 2022	5,000	-
Phase 3 Sewer Grant Claim	-	(1,691,488)
Economic Development Grant	-	(73,350)
MIABC Grant	-	(2,447)
<b>Other Deferred Revenue – Closing Balance</b>	<b>\$ 321,174</b>	<b>\$ 31,767</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### 5. Employee Future Benefit Obligations:

Employee benefit obligations represent accrued benefits as follows:

	2021	2020
Vacation payable	\$ 51,726	\$ 51,713
Accrued sick leave	167,806	109,675
	<b>\$ 219,532</b>	<b>\$ 161,388</b>

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 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, 2020, the plan has about 220,000 active members and approximately 112,000 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### 5. Employee Future Benefit Obligations: (continued)

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

The District paid \$107,718 (2020 - \$106,612) for employer contributions, while employees contributed \$95,326 (2020 - \$96,031) to the Plan in fiscal 2021.

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

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

### 6. Debt, Net of Municipal Finance Authority (MFA) Sinking Fund Deposits:

The District issues debt instruments through the MFA pursuant to security issuing bylaws under authority of the *Community Charter* to finance certain capital expenditures.

All of the District's debt held is with the MFA. Payments and actuarial allocations on the gross amount borrowed of \$4,300,000 are held in a sinking fund by the MFA. Sinking fund assets, managed by the MFA, as 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.

	2021	2020
Total outstanding debt – beginning of year	\$ 4,300,000	\$ -
Proceeds from long-term borrowing	-	4,300,000
Reduction of long-term debt	110,208	-
Total outstanding debt – end of year	\$ 4,189,792	\$ 4,300,000

The District is subject to 'Liability Servicing Limits' as outlined in Section 174 of the *Community Charter*. The maximum value of liability servicing cost for a given year is 25% of a municipality's controllable and sustainable revenues for the previous year. The calculated liability servicing limit for the District for 2021 at December 31, 2020 was \$1,198,575. The estimated liability servicing cost for Sewer Phase 3 Borrowing was \$198,277, leaving \$1,000,298 of liability servicing capacity available.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### 6. Debt, Net of Municipal Finance Authority (MFA) Sinking Fund Deposits: (continued)

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

	Principal & Actuarial	Total
2022	\$ 108,279	\$ 149,338
2023	106,317	149,338
2024	104,320	149,338
2025	102,289	149,338
2026	100,221	149,338
Thereafter	2,674,604	3,443,102
	<b>\$ 3,196,030</b>	<b>\$ 4,189,792</b>

Bylaw #	MFA Issue #	Interest Rate	Year Matures	Balance 2021	Balance 2020
<b>Sewer Fund – Sewer Phase 3</b>					
MFA Bylaw 1811	152	0.91%	2050	\$ 4,189,792	\$ 4,300,000
				<b>\$ 4,189,792</b>	<b>\$ 4,300,000</b>

### 7. Municipal Finance Authority Debt Reserve Fund:

The Municipal Finance Authority (MFA) of British Columbia provides capital financing for regional districts and their member municipalities. The MFA is required to establish a debt reserve fund. 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 debt reserve fund 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### 7. Municipal Finance Authority Debt Reserve Fund: continued

Upon the maturity of a debt issue, the unused portion of the debt reserve fund 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. The District's MFA debt reserve fund is:

	DRF Cash	DRF Demand Note
Sewer Fund	\$ 43,939	\$ 31,669

### 8. Tangible Capital Assets (Schedule A):

(a) Assets under construction:

Assets under construction having a value of \$1,649,796 (2020 - \$8,316,733) 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 \$3,769,419 (2020 - \$nil).

(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, 2021 with comparative information for 2020

### 9. Accumulated Surplus:

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

	2021	2020
Equity in Tangible Capital Assets	\$ 60,100,070	\$ 54,862,788
Unrestricted General Fund Surplus	1,376,507	1,029,126
Unrestricted Sewer Fund Deficit	(127,993)	(325,190)
Unrestricted Water Fund Surplus	463,182	338,925
Statutory Reserve Funds	6,348,066	6,188,481
	<b>\$ 68,159,832</b>	<b>\$ 62,094,130</b>

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

### 10. Annual Budget:

These financial statements include the Annual Budget as approved by Council on December 7, 2020. 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:

	2021
Annual Budgeted Surplus – Statement of Operations	\$ 9,545,369
Adjust for:	
Capital expenditures	(11,572,000)
Proceeds from borrowing	1,522,474
Transfer from reserves	57,448
Development Cost Charges	(401,163)
Internal borrowing repayment	(58,128)
Amortization	906,000
<b>Net Annual Budget – as approved by Council</b>	<b>\$ -</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### 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.

	2021	2020
Taxes:		
Property / parcel taxes	\$ 6,668,937	\$ 6,245,807
Payments in lieu of taxes	30,612	28,023
1% utility taxes	56,995	56,966
	6,756,544	6,330,796
Less taxes levied for other authorities:		
School District	2,349,430	2,149,878
Policing	273,916	267,399
Regional Hospital District	283,703	203,247
Regional District of Nanaimo	837,820	875,060
BC Assessment Authority	57,231	55,455
Municipal Finance Authority	268	252
	3,802,368	3,551,291
Net taxes available for municipal purposes	\$ 2,954,176	\$ 2,779,505

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### 12. Grants and Government Transfers

	2021	2020
Operating transfers from provincial government:		
Strategic Communities Investment Fund Grant	\$ 458,000	\$ 449,865
Other	82,561	135,352
Capital transfers from provincial government:		
New Building Canada Fund – Small Communities Fund	328,000	1,691,490
Capital transfers from federal government:		
New Building Canada Fund – Small Communities Fund	-	2,019,488
Federal Gas Tax	482,766	334,590
Other contributions:		
Capital	133,000	-
Other	49,421	7,722
Covid Recovery Funding	-	1,220,000
	\$ 1,533,748	\$ 5,858,507



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### COVID Recovery Funding

In November 2020, the Province of British Columbia announced a funding stream called “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:

	2021	2020
Balance forward, December 31	\$ 1,167,494	\$ 1,220,000
Eligible costs incurred:		
Information technology requirements	(71,114)	(17,377)
Facility safety improvements	(11,278)	(8,331)
Wages & benefits	(30,000)	(26,798)
Reserve fund contributions	(312,200)	-
Interest earned	12,048	-
<b>Balance, December 31, 2021 (Included in Operating Reserves)</b>	<b>\$ 754,950</b>	<b>\$ 1,167,494</b>

### 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 includes 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 is 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 includes the fire department and emergency planning.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### **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.

### **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 Nanaimo Regional District ("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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021 with comparative information for 2020

### 14. Commitments and Contingencies: continued

- (b) 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.
- (c) The District has \$375,948 (2020 - \$42,718) in open purchase orders at year end which have not been recorded in the financial statements. These amounts will be recorded in the period that the goods and services, to which they relate, are received.
- (d) Since March 2020, the COVID-19 outbreak has caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, have had a significant impact on the local and global economy. At the time of preparation of the 2021 financial statements, although some emergency measures have been scaled back, it is still not possible to make a reliable determination of the impact on the District's financial results for 2022.

During 2021, as a result of the pandemic, the District experienced supply chain issues and labour shortages, which also caused delays to certain projects.

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

For the year ended December 31, 2021

	<div>Infrastructure</div>										
	Land	Land Improvements	Buildings	Vehicles	Equipment	Roads	Sewer	Water	Assets Under Construction	2021	2020
HISTORICAL COST:											
Opening Balance	\$ 18,001,197	\$ 1,228,809	\$ 2,074,775	\$ 2,072,592	\$ 385,871	\$ 15,786,908	\$ 9,204,029	\$ 12,328,954	\$ 8,316,734	\$ 69,399,868	\$ 61,431,844
Additions	-	703,329	18,378	94,979	13,844	1,884,962	7,799,463	3,414,346	3,352,473	17,281,774	8,105,926
Disposal	-	-	-	-	-	(12,495)	-	-	-	(12,495)	(137,902)
Transfers	-	-	-	-	-	-	-	-	(10,019,411)	(10,019,411)	-
Closing Balance, Dec 31	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
ACCUMULATED AMORTIZATION:											
Opening Balance	-	464,051	1,072,151	766,498	306,434	5,171,358	1,249,497	2,332,486	-	11,362,475	10,564,049
Additions	-	45,041	49,471	89,901	27,714	428,853	156,039	212,875	-	1,009,894	925,938
Disposal	-	-	-	-	-	(12,495)	-	-	-	(12,495)	(127,511)
Closing Balance, Dec 31	-	509,092	1,121,622	856,399	334,148	5,587,716	1,405,536	2,545,361	-	12,359,874	11,362,476
NET BOOK VALUE	\$ 18,001,197	\$ 1,432,046	\$ 971,531	\$ 1,311,172	\$ 65,567	\$ 12,071,659	\$ 15,597,956	\$ 13,197,939	\$ 1,649,796	\$ 64,289,862	\$ 58,037,392



**SCHEDULE OF RESERVE FUNDS**

For the year ended December 31, 2021

	GENERAL FUND						SEWER FUND		WATER FUND	TOTAL	
	Operating Reserve	Capital Works	Facilities Life Cycle	Asset Replacement	Parks	CAC's	Asset Replacement	Debt Repayment	Asset Replacement	2021	2020
Opening Balance	\$ 1,317,677	\$ 705,426	\$ 1,379,339	\$ 606,619	\$ 499,808	\$ -	\$ 406,316	\$ -	\$ 1,273,296	\$ 6,188,481	\$ 4,350,015
Transfers in	23,100	650,000	132,100	615,678	680,750	12,000	50,000	920,924	807,577	3,892,129	2,623,114
Interest earned	13,599	7,280	14,235	6,260	5,158	-	4,193	-	13,142	63,867	59,335
Transfers out	(436,981)	(145,809)	-	(129,691)	(1,095,289)	-	(4,360)	(531,438)	(535,449)	(2,879,017)	(843,983)
Closing Balance	\$ 917,395	\$ 1,216,897	\$ 1,525,674	\$ 1,098,866	\$ 90,427	\$ 12,000	\$ 456,149	\$ 389,486	\$ 1,558,566	\$ 7,265,460	\$ 6,188,481

**Schedule B**


**SCHEDULE OF 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
<b>REVENUE</b>												
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
<b>EXPENSES</b>												
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
<b>SURPLUS / (DEFICIT)</b>	<b>\$ 2,325,962</b>	<b>\$ 17,406</b>	<b>\$ (503,552)</b>	<b>\$ (62,290)</b>	<b>\$ 43</b>	<b>\$ (187,201)</b>	<b>\$ (65,019)</b>	<b>\$ 60,820</b>	<b>\$ 443,970</b>	<b>\$ 4,035,563</b>	<b>\$ 6,065,702</b>	<b>\$ 9,545,369</b>



**SCHEDULE OF STATUTORY SEGMENT DISCLOSURES**

For the year ended December 31, 2020

	General Government Services	Transportation Services	Protective Services	Bylaw Enforcement	Solid Waste Collection	Recreation and Cultural Services	Community Development Services	Building Inspection	Sewer	Water	2020 2020	2020 Financial Plan
<b>REVENUE</b>												
Taxation	\$ 2,366,458	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,692	\$ 363,355	\$ 2,779,505	\$ 2,847,648
Sales and services	-	-	-	-	213,265	-	-	81,442	266,544	592,349	1,153,600	976,501
Grants and government transfers	1,785,783	334,590	525	-	-	-	22,373	-	3,710,978	4,258	5,858,507	5,094,669
Investment income	128,063	-	-	-	-	-	-	-	-	-	128,063	103,125
Penalties and fines	17,151	-	-	2,988	-	-	-	-	2,143	2,997	25,279	28,022
Development charges earned	-	267,966	-	-	-	-	-	-	-	-	267,966	300,000
Contributions from developers and others	-	-	-	-	-	-	-	-	-	-	-	3,000
Other revenue from own sources	131,720	-	28,928	-	-	5,000	112,414	-	-	-	278,062	298,450
	4,429,175	602,556	29,453	2,988	213,265	5,000	134,787	81,442	4,029,357	962,959	10,490,982	9,651,415
<b>EXPENSES</b>												
Salaries, wages, and benefits	874,738	101,854	183,900	-	-	106,992	216,186	9,379	39,971	175,998	1,709,018	1,725,030
Materials and supplies	131,550	167,069	124,284	-	1,797	33,627	-	119	24,588	60,097	543,131	562,350
Contracted services	158,636	104,464	45,568	39,947	211,672	-	12,349	35,201	86,148	10,411	704,396	769,648
Other	104,968	96,838	53,630	-	-	10,023	71,073	-	28,742	69,207	434,481	704,385
Amortization	61,645	443,939	77,710	-	-	33,503	-	-	113,481	195,660	925,938	765,000
	1,331,537	914,164	485,092	39,947	213,469	184,145	299,608	44,699	292,930	511,373	4,316,964	4,526,413
<b>SURPLUS / (DEFICIT)</b>	<b>\$ 3,097,638</b>	<b>\$ (311,608)</b>	<b>\$ (455,639)</b>	<b>\$ (36,959)</b>	<b>\$ (204)</b>	<b>\$ (179,145)</b>	<b>\$ (164,821)</b>	<b>\$ 36,743</b>	<b>\$ 3,736,427</b>	<b>\$ 451,586</b>	<b>\$ 6,174,018</b>	<b>\$ 5,125,002</b>