

Financial Statements of

**THE CORPORATION OF THE
DISTRICT OF OAK BAY**

Year ended December 31, 2023

THE CORPORATION OF THE DISTRICT OF OAK BAY

Financial Statements

Year ended December 31, 2023

Financial Statements

Management's Responsibility for the Financial Statements	1
Independent Auditor's Report	2
Statement of Financial Position	5
Statement of Operations and Accumulated Surplus	6
Statement of Change in Net Financial Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9

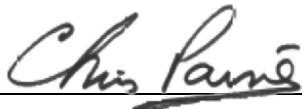
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Corporation of the District of Oak Bay (the "District") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with public sector accounting principles established by the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's 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 KPMG LLP; independent external auditors appointed by the District. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the District's financial statements.



Director of Financial Services



KPMG LLP

St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250 480 3500
Fax 250 480 3539

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the Corporation of the District of Oak Bay

Opinion

We have audited the financial statements of the Corporation of the District of Oak Bay (the "District"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and accumulated surplus for the year then ended.
- the statement of changes in net financial assets for the year then ended.
- the statement of cash flows for the year then ended.
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2023 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Corporation of the District of Oak Bay

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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Corporation of the District of Oak Bay

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 13, 2024

THE CORPORATION OF THE DISTRICT OF OAK BAY

Statement of Financial Position

December 31, 2023, with comparative information for 2022

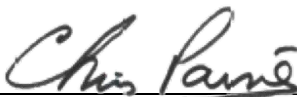
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 9,240,580	\$ 9,307,701
Investments (note 2)	73,707,474	65,012,722
Taxes receivable	1,030,628	738,857
Other accounts receivable	4,832,436	4,231,026
	<u>88,811,118</u>	<u>79,290,306</u>
Financial liabilities:		
Accounts payable and accrued liabilities	10,886,690	5,753,526
Asset retirement obligation (note 3)	1,001,520	-
Deposits	5,094,192	5,011,040
Prepaid property taxes	2,378,713	2,130,980
Deferred revenue (note 4)	3,500,121	3,088,537
Employee future benefit obligations (note 5)	1,550,200	1,527,100
Long-term debt (note 6)	-	307,236
	<u>24,411,436</u>	<u>17,818,419</u>
Net financial assets	64,399,682	61,471,887
Non-financial assets:		
Tangible capital assets (note 7)	87,289,124	75,700,835
Inventory of supplies	618,213	658,396
Prepaid expenses	476,599	348,793
	<u>88,383,936</u>	<u>76,708,024</u>
Accumulated surplus (note 8)	\$ 152,783,618	\$ 138,179,911

Commitments and contingencies (note 11)

Contractual rights (note 12)

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

On Behalf of the District:



Director of Financial Services

THE CORPORATION OF THE DISTRICT OF OAK BAY

Statement of Operations and Accumulated Surplus

Year ended December 31, 2023, with comparative information for 2022

	Financial plan (note 14)	2023	2022
Revenue:			
Taxation, net (note 9)	\$ 35,624,800	\$ 35,727,964	\$ 32,644,549
Sales and services	7,674,500	8,451,060	7,595,784
Other revenues	1,325,200	1,690,875	1,729,188
Government transfers (note 10)	8,919,600	7,363,802	2,765,931
Investment income	1,301,500	3,617,015	1,909,881
Sales of water and sewer charges	9,588,500	10,305,507	9,791,389
Total revenue	64,434,100	67,156,223	56,436,722
Expenses:			
General government	9,409,200	7,786,587	6,760,240
Protective services	13,799,000	12,804,951	13,105,497
Transportation services	4,988,900	5,635,216	4,752,999
Environmental health	1,800,100	1,857,060	1,641,457
Recreational services	15,704,300	15,658,009	14,256,658
Water utility	4,214,500	4,588,794	4,014,767
Sewer collection system	3,820,300	4,221,899	3,712,080
Total expenses	53,736,300	52,552,516	48,243,698
Annual surplus	10,697,800	14,603,707	8,193,024
Accumulated surplus, beginning of year	138,179,911	138,179,911	129,986,887
Accumulated surplus, end of year	\$ 148,877,711	\$ 152,783,618	\$ 138,179,911

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

THE CORPORATION OF THE DISTRICT OF OAK BAY

Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	Financial plan (note 13)	2023	2022
Annual surplus	\$ 10,697,800	\$ 14,603,707	\$ 8,193,024
Acquisition of capital assets	(34,582,400)	(13,658,880)	(8,160,505)
Asset retirement obligations	-	(963,000)	-
Amortization of capital assets	2,872,200	2,979,472	2,796,657
Loss on disposal of tangible capital assets	-	54,119	244,395
Proceeds on disposal of tangible capital assets	-	-	24,247
	(31,710,200)	(11,588,289)	(5,095,206)
Acquisition of inventory of supplies	-	40,183	(105,431)
Use of prepaid expenses	-	(127,806)	103,035
	-	(87,623)	(2,396)
Change in net financial assets	(21,012,400)	2,927,795	3,095,422
Net financial assets, beginning of year	61,471,886	61,471,887	58,376,465
Net financial assets, end of year	\$ 40,459,486	\$ 64,399,682	\$ 61,471,887

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

THE CORPORATION OF THE DISTRICT OF OAK BAY

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 14,603,707	\$ 8,193,024
Items not involving cash:		
Amortization of tangible capital assets	2,979,472	2,796,657
Loss on disposal of tangible capital assets	54,119	244,395
Actuarial adjustment on debt	(164,642)	(204,759)
Accretion expense on asset retirement obligations	38,520	-
Changes in non-cash operating assets and liabilities:		
Taxes receivable	(291,771)	(102,643)
Other accounts receivable	(601,410)	(1,876,216)
Accounts payable and accrued liabilities	5,133,164	2,601,562
Deposits	83,152	524,829
Prepaid property taxes	247,733	39,782
Deferred revenue	411,584	(166,730)
Employee future benefit obligations	23,100	(333,900)
Inventory of supplies	40,183	(105,431)
Prepaid expenses	(127,806)	103,035
	22,429,105	11,713,605
Capital activities:		
Acquisition of tangible capital assets	(13,658,880)	(8,160,505)
Proceeds on disposal of tangible capital assets	-	24,247
	(13,658,880)	(8,136,258)
Investing activities:		
Net changes in investments	(8,694,752)	(15,183,937)
Financial activities:		
Long-term debt repaid	(142,594)	(142,594)
Decrease in cash and cash equivalents	(67,121)	(11,749,184)
Cash and cash equivalents, beginning of year	9,307,701	21,056,885
Cash and cash equivalents, end of year	\$ 9,240,580	\$ 9,307,701

See accompany notes to financial statements.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

The Corporation of the District of Oak Bay (the "District") was incorporated on July 2, 1906 under the Municipal Act, a statute of the Province of British Columbia. Its principal activities are the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water, sewer, and fiscal services.

1. Significant accounting policies:

The financial statements of 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 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 of the District's activities and funds. Inter-departmental balances and organizational transactions have been eliminated.

(i) Consolidated entities:

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

(ii) Funds held in trust:

The financial statements exclude trust assets that are administered for the benefit of external parties (note 13).

(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.

(c) Cash and cash equivalents:

Cash and cash equivalents are defined as cash on hand, demand deposits, and short-term highly liquid investments with a maturity date of less than 3 months at acquisition that are readily converted to known amounts of cash and which are subject to an insignificant risk of change in value.

(d) Investments:

Investments are recorded at cost. Investments in the Municipal Finance Authority of British Columbia ("MFA") Bond, Intermediate, Mortgage and Money Market Funds are recorded at cost plus earnings reinvested in the funds.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(e) Government transfers:

Government transfers are recognized in the financial statements as revenue in the period the transfers are authorized and any eligibility criteria have been met, except when, and to the extent that, the transfer gives rise to an obligation that meets the definition of a liability for the recipient government. Transfers received which meet the definition of a liability are included in deferred revenue.

(f) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

(g) Property tax revenue:

Property tax revenue is recognized on the accrual basis using the approved mill rates and the anticipated assessment related to the current year.

(h) 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 forms part of the deferred revenue balance. Investment income is allocated to various reserves and operating funds on a proportionate basis.

(i) Long-term debt:

Long-term debt is recorded net of related principal repayments and actuarial adjustments.

(j) Employee future benefits:

The District and its employees make contributions to the Municipal Pension Plan. These 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 actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(k) Non-financial assets:

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

(i) Tangible capital assets:

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

Asset	Useful life - years
Land improvements	15 - 50
Building and building improvements	25 - 100
Machinery and equipment	3 - 30
IT equipment	5 - 8
Vehicles	10 - 20
Roads and drainage	25 - 100

Amortization is charged annually, including in the year of acquisition and disposal. 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 the future economic benefits associated with the asset are less than the book value of the asset.

(ii) Contributions of tangible capital assets:

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

(iii) Works of art and cultural and historic assets:

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

(iv) Interest capitalization:

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

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(k) Non-financial assets (continued):

(v) Leased tangible capital assets:

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

(vi) Inventories of supplies:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(l) Liability for contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in 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 recognized, net of any expected recoveries, 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 for the liability

(iv) future economic benefits will be given up, and

(v) a reasonable estimate of the liability can be made.

(m) Measurement uncertainty:

The preparation of financial statements in conformity with public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, estimating provisions for accrued liabilities, estimating amounts to settle asset retirement obligations and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(n) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

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

A liability for the removal of asbestos in several of the buildings owned by the District has been recognized based on estimated future remediation expenses. Under the prospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

The liability is discounted using a present value calculation, and adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase in building assets is being amortized following the amortization policies outlined in note 1(k).

(o) Financial instruments:

The District's financial instruments include cash and cash equivalents, investments, other accounts receivable, taxes receivable, accounts payable and accrued liabilities and long-term debt.

Financial instruments are recorded at fair value on initial recognition. Equity instruments quoted in an active market and derivatives are subsequently measured at fair value as at the reporting date. All other financial instruments are subsequently recorded at cost or amortized cost unless the District elects to carry the financial instrument at fair value. The District has not elected to carry any other financial instruments at fair value.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses. They are recorded in the Statement of Operations when they are realized. There are no unrealized changes in fair value in the years presented; as a result, the District does not have a Statement of Remeasurement Gains and Losses.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments subsequently measured at fair value are expensed as incurred. Transaction costs incurred on the acquisition of financial instruments recorded at cost are included in the cost and amortized using the effective interest rate method.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(p) Adoption of new accounting standards:

(i) Asset retirement obligations:

On January 1, 2023, the District adopted PS 3280 - *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities.

In accordance with provisions of this new standard, the District recognized an increase in tangible capital assets and an asset retirement obligation liability at January 1, 2023 of \$963,000.

(ii) Financial instruments suite of standards:

On January 1, 2023, the District adopted PS 3450 - *Financial Instruments* and PS 2601 *Foreign Currency Translation*. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the District's accounting policy choices (see note 1(o)).

The adoption of this new standard did not result in changes to previously reported amounts in the financial statements.

2. Investments:

	2023	2022
MFA Money Market Fund	\$ 27,442,543	\$ 20,741,150
MFA Bond Fund	9,213,182	8,925,598
MFA GFUS Bond Fund	5,223,124	5,086,939
MFA Mortgage Fund	5,322,569	5,135,560
MFA Fossil Fuel Free Bond	9,729,556	9,449,759
Term deposits	16,299,980	15,673,716
Bonds	476,520	-
	<u>\$ 73,707,474</u>	<u>\$ 65,012,722</u>

The fair value of the Funds approximates the recorded value. Investments include \$388,559 (2022 - \$303,815) in accrued interest receivable.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

3. Asset retirement obligation:

The District owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it.

Following the adoption of PS3280 - *Asset retirement obligations*, the District recognized an obligation relating to the removal and post-removal care of asbestos in these buildings as estimated at January 1, 2023.

The recognition of asset retirement obligations involved an accompanying increase to the buildings tangible capital assets.

Asset Retirement Obligation	
Balance, beginning of year	\$ -
Adjustment on adoption of PS3280	963,000
Accretion expense	38,520
Balance, end of year	\$ 1,001,520

4. Deferred revenue:

Deferred revenue, reported on the statement of financial position, is made up of the following:

	2023	2022
Unearned revenues	\$ 3,400,739	\$ 3,088,537
Restricted grants	99,382	-
	\$ 3,500,121	\$ 3,088,537

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

5. Employee future benefit obligations:

The District provides sick leave and certain benefits to its employees. These amounts and other employee related liabilities will require funding in future periods and are set out below.

Accumulated sick leave represents the liability for sick leave banks accumulated for estimated draw downs at future dates. Retirement benefit payments represent the District's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments, death benefits, certain vacation entitlements in the year of retirement, and pension buyback arrangements for qualified employees. The accrued employee benefit obligations and the net periodic benefit cost were estimated by an actuarial valuation completed effective for December 31, 2022 and extrapolated to December 31, 2023. Information about liabilities for employee benefit plans is as follows:

	2023	2022
Accrued benefit liability, beginning of year	\$ 1,527,100	\$ 1,861,000
Service cost	108,400	163,500
Interest cost	58,700	50,500
Long-term disability expense	(41,800)	(8,500)
Benefit removal *	-	(212,900)
Actuarial adjustment	(3,500)	24,800
Benefit payments	(98,700)	(351,300)
Accrued benefit liability, end of year	\$ 1,550,200	\$ 1,527,100

*Deferred vacation and overtime banks are now calculated internally by the District and included in accounts payable and accrued liabilities. As such, liabilities associated with these benefits have been removed from the actuarial valuation at December 31, 2022.

The difference between the actuarially accrued benefit obligation of \$1,393,300 (2022 - \$1,406,300) and the accrued benefit liability of \$1,550,200 (2022 - \$1,527,100) is an unamortized actuarial gain of \$156,900 (2022 - unamortized actuarial gain of \$120,800).

This actuarial gain is being amortized over a period equal to the employees' average remaining service period of 11 years.

The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$121,800 (2022 - \$230,300).

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

	2023	2022
Discount rates	4.1%	4.5%
Expected future inflation rates	2.5%	2.5%
Expected wage and salary increases	2.5% to 5.9%	2.5% to 4.0%

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

5. Employee future benefit obligations (continued):

Municipal Pension Plan

The District and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2022, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 contributors from local governments.

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

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The District paid \$2,154,558 (2022 - \$1,995,637) for employer contributions while employees contributed \$1,775,032 (2022 - \$1,645,653) to the plan in fiscal 2023.

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 individual employers participating in the plan.

GVLRA - CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employees representing a number of CUPE locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. The District and its employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined at December 31, 2020 and extrapolated to December 21, 2022. At December 31, 2022, the total plan provision for approved and unreported claims was \$25,808,500 with a net deficit of \$3,026,543. The actuary does not attribute portions of the unfunded liability to individual employers. The District paid \$138,174 (2022 - \$117,290) for employer contributions and District employees paid \$138,174 (2022 - \$117,290) for employee contributions to the plan in fiscal 2023.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

6. Long-term debt:

	2023	2022
Debenture debt - MFA Issue 80 payable at \$142,594 annually; fixed interest payments 2.85% paid semi-annually (\$134,378). Final payment October 3, 2023.	\$ -	\$ 307,236

(a) Debenture debt:

The loan agreements with the Capital Regional District and the MFA provide that if, at any time, the scheduled payments provided for in the agreements are not sufficient to meet the MFA's obligations in respect of such borrowings, the resulting deficiency becomes a liability of the District.

The District issues its debentures through the MFA. Debentures are issued on a sinking fund basis, where the MFA invests the District's sinking fund payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period.

(b) Total interest expense on long-term debt for the year ending December 31, 2023 amounted to \$134,378 (2022 - \$134,378).

7. Tangible capital assets:

Cost	Balance, December 31, 2022	Additions	Disposals/ transfers	Balance, December 31, 2023
Land	\$ 2,852,877	\$ -	\$ -	\$ 2,852,877
Land improvements	2,758,242	-	-	2,758,242
Building and building improvements	30,020,766	1,744,964	475,402	32,241,132
Machinery and equipment	5,653,809	381,603	-	6,035,412
IT equipment	2,149,928	183,174	-	2,333,102
Vehicles	7,024,493	1,080,396	-	8,104,889
Roads, drains, sewer and water	76,853,066	3,942,970	(76,369)	80,719,667
Assets under construction	2,285,333	7,288,773	(529,521)	9,044,585
Total	\$ 129,598,514	\$ 14,621,880	\$ (130,488)	\$ 144,089,906

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

7. Tangible capital assets (continued):

Accumulated amortization	Balance, December 31, 2022	Additions	Disposals/ transfers	Balance, December 31, 2023
Land improvements	\$ 713,831	\$ 89,029	\$ -	\$ 802,860
Building and building improvements	11,195,799	670,963	-	11,866,762
Machinery and equipment	2,978,190	283,304	-	3,261,494
IT equipment	1,730,259	178,575	-	1,908,834
Vehicles	3,840,368	425,438	-	4,265,806
Roads, drains, sewer and water	33,439,232	1,332,163	(76,369)	34,695,026
Total	\$ 53,897,679	\$ 2,979,472	\$ (76,369)	\$ 56,800,782

Net book value	Balance, December 31, 2022	Balance, December 31, 2023
Land	\$ 2,852,877	\$ 2,852,877
Land improvements	2,044,411	1,955,382
Building and building improvements	18,824,967	20,374,370
Machinery and equipment	2,675,619	2,773,918
IT equipment	419,669	424,268
Vehicles	3,184,125	3,839,083
Roads, drains, sewer and water	43,413,834	46,024,641
Assets under construction	2,285,333	9,044,585
Total	\$ 75,700,835	\$ 87,289,124

(a) Assets under construction:

Assets under construction having a value of \$9,044,585 (2022 - \$2,285,333) have not been amortized. Amortization of these assets will commence when the asset is available for service.

(b) Contributed tangible capital assets:

There were no assets received from developers in 2023. In 2022, \$223,202 in contributed assets were acquired from developers as part of subdivision installations, including drainage, and sewer and water infrastructure. These contributed assets were recognized at an estimate of fair value of the cost of the materials and installation.

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, tangible capital assets are recognized at a nominal value. Land is the only category where nominal values have been assigned.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

7. Tangible capital assets (continued):

(d) Works of art and historical treasures:

The District manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at District sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets:

During 2023, there was a write-off of assets under construction of \$54,119 (2022 – nil).

8. Accumulated surplus:

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

	2023	2022
Surplus:		
Equity in tangible capital assets	\$ 87,289,124	\$ 75,393,599
Operating fund	12,417,729	10,419,787
Operating fund – Asset retirement obligation	(1,001,520)	-
Total surplus	98,705,333	85,813,386
Reserve Funds:		
Village parking	1,042,930	995,860
Fire equipment	57,233	1,571,326
Land sale	41,758	39,873
Machinery and equipment	1,562,736	2,034,992
Heritage	2,436,981	2,326,995
Tax sale property	1,993	1,903
Parks acquisition	519,382	495,941
Capital works	19,255,746	20,840,658
Alternative transportation infrastructure	15,817	15,103
Infrastructure renewal	22,972,349	22,036,302
COVID-19 Restart	1,398,360	2,007,572
Growing Communities Fund	4,773,000	-
Total reserve funds	54,078,285	52,366,525
	\$ 152,783,618	\$ 138,179,911

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

8. Accumulated surplus (continued):

On November 19, 2020, the District received a COVID-19 Safe Restart Grant for \$3,589,000 from the Province of British Columbia to help address the fiscal impacts of COVID-19. The grant was recognized as revenue when received and transferred to an operating reserve to fund future eligible response and recovery costs. During 2023, \$609,212 (2022 - \$555,188) of eligible revenue recoveries were utilized from this reserve to fund revenue shortfalls resulting from COVID-19.

In March of 2023, the District received a \$4,773,000 Growing Communities Fund grant from the Province of British Columbia to support the delivery of infrastructure projects to enable community growth. None of the amounts were spent during 2023. The unspent grant funds are held in a reserve fund.

9. Taxation:

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

	2023	2022
Taxes		
Property tax	\$ 57,359,848	\$ 52,979,392
Grants in lieu of taxes	217,348	210,528
Special assessments and local improvements	255,671	232,463
1% Utility tax	93,693	86,687
Waste disposal fees	1,805,429	1,719,867
Penalties and interest	304,371	235,749
	<u>60,036,360</u>	<u>55,464,686</u>
Less taxes levied on behalf of:		
Provincial government - school taxes	14,738,079	13,602,052
Capital Regional District	4,070,790	4,068,864
Telus (CREST) - CRD	74,906	73,728
Provincial Government - Non-residential school	934,183	921,237
Capital Regional Hospital District	1,607,058	1,648,424
Municipal Finance Authority	2,562	2,345
BC Assessment Authority	437,202	416,512
BC Transit Authority	2,343,616	1,986,975
Business Improvement Area	100,000	100,000
	<u>24,308,396</u>	<u>22,820,137</u>
Net taxes available for municipal purposes	<u>\$ 35,727,964</u>	<u>\$ 32,644,549</u>

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

10. Government transfers:

The District recognizes the transfer of government funding as revenue when received and all related eligibility criteria and stipulations have been satisfied. The government transfers reported on the statement of operations consist of the following:

	2023	2022
Small communities grant and traffic fines	\$ 331,000	\$ 387,817
Growing Communities Fund	4,773,000	-
Gas tax agreement funds	891,358	854,232
Infrastructure grant	306,606	412,415
Universal Child Care Program	637,258	172,732
Guns and Gangs grants	-	310,446
Other	424,580	628,289
	<u>\$ 7,363,802</u>	<u>\$ 2,765,931</u>

11. Commitments and contingent liabilities:

In the normal course of business, the District enters into commitments for both capital and operational expenses. These commitments have been budgeted for within the appropriate annual financial plan and have been approved by Council.

(a) MFA debt reserve fund deposits:

Under borrowing arrangements with the MFA, the District is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund.

These deposits are included in the District's financial assets as cash and are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the District. At December 31, 2023, there were no deposits held (2022 - \$86,020) and there were no contingent demand notes (2022 - \$136,718) as all debt was extinguished on October 3, 2023.

(b) Capital Regional District (CRD) debt, under the provision of the Local Government Act, is a direct, joint and several liability of the CRD and each member municipality within the CRD, including the District.

(c) The District is a shareholder and member of the Capital Regional Emergency Service Telecommunications (CREST) Incorporated whose services provide centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

11. Commitments and contingent liabilities (continued):

- (d) In the normal course of business, the District is a defendant in various lawsuits for which no liability is reasonably determinable at this time. Should the claims be successful as a result of litigation, amounts will be recorded when a liability is likely and determinable.

The District is self-insured for general liability claims through membership in the Municipal Insurance Association of British Columbia, a reciprocal insurance exchange. Under this program, member municipalities jointly share claims against any member in excess of their deductible. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with the other participants, would be required to contribute towards the deficit. The District's deductible is \$10,000.

- (e) During 2008 the Province of BC gave its share (50%) of the heritage property known as Tod House to the District. The value of this transaction was recorded as \$395,000. Concurrently the Province registered a "Possibility of Reverter" against the property. This states that the Province has granted its interest to the District "for so long as the land is used for the specific purpose of managing the Tod House Heritage Site". Previous correspondence with the Province suggests that if the property use is changed the District will pay to the Province 50% of the market value of the property at the time that its use changed. The District has no plans to change the use of Tod House.
- (f) During 2015, the District entered into a lease agreement with the Board of Education of School District No. 61 (Greater Victoria) to lease the Neighbourhood Learning Centre, located in the Oak Bay High School. The lease commenced on September 1, 2015 and requires annual lease payments of \$89,984 for a term of 25 years

12. Contractual rights:

The District's contractual rights arise from rights to receive payments from lease agreements. The District leases real estate property to commercial, affordable housing and non-profit organizations with terms ranging from 1 to 30 years. The District has contractual rights to receive the following amounts of lease revenue in the next 5 years.

Year	Lease revenue
2024	\$ 337,930
2025	337,930
2026	327,130
2027	327,130
2028	94,056
	<hr/> \$ 1,424,176 <hr/>

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

13. Trust funds:

Trust funds administered by the District have not been included in the statement of financial position nor have their operations been included in the statement of operations.

	Heritage House Trust	Legacy Trusts	2023	2022
Financial assets:				
Cash	\$ 729	\$ -	\$ 729	\$ 771
Investments	358,599	409,068	767,667	730,720
Due (to) from operating fund	(245,675)	79,259	(166,416)	(180,741)
	\$ 113,653	\$ 488,327	\$ 601,980	\$ 550,750

Since the use of Trust Funds is restricted, their assets and liabilities are not recorded in the financial statements.

The District has received bequests that are to be used for various purposes. These are maintained in the Legacy Trusts, with authorized expenditures being funded from it, and earnings on investments being added to the Trust.

14. Financial plan data:

The financial plan data presented in these financial statements is based upon the 2023 operating and capital financial plans approved by Council on May 8, 2023. The following reconciles the approved financial plan to the financial plan figures reported in these financial statements.

	Financial plan amount
Revenues:	
Financial plan	\$ 64,393,000
Add:	
Tod House	41,100
Total revenue	64,434,100
Expenses:	
Financial plan	53,736,300
Annual surplus	\$ 10,697,800

The annual surplus above represents the planned results of operations prior to the budgeted transfers between reserve funds, debt repayments and capital expenditures.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

15. Risk management:

The District has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk (foreign currency risk, interest rate risk, and other price risk). Management oversees the District's systems and practices of internal control and ensures that these controls contribute to the assessment and mitigation of risk. Management reports regularly to Council on its activities. The District has experienced no change in its risk exposure and has not made any changes to its risk management policies and procedures during the year.

(a) Credit risk:

Credit risk is the risk of a financial loss to the District if a counterparty to a financial instrument fails to meet its contractual obligations resulting in a financial loss. Such risks arise principally from certain financial assets held by the District consisting of cash and cash equivalents, investments and receivables.

Cash and cash equivalents and investments are held with reputable financial institutions with investment grade external credit ratings. The majority of receivables are owing from government agencies. The District is able to recover delinquent taxes through tax sale of properties with unpaid property taxes.

The District assesses on a continuous basis its receivables and provides for any amounts that are uncollectible in an allowance for doubtful accounts. The maximum exposure to credit risk is the carrying value of financial assets.

(b) Liquidity risk:

Liquidity risk is the risk that the District will not be able to meet its financial obligations as they become due. The District's objective is to have sufficient liquidity to meet these liabilities when due. The District prepares financial plans, monitors its cash balance and cash flows to meet its liquidity requirements. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(c) Market risk:

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other price risks, will affect the District's results of operations or the fair value of its holdings of financial instruments. In the normal course of operations, the District makes purchases denominated in US dollars. The District does not have any material transactions denominated in foreign currencies at year end.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The District mitigates interest rate risk by investing in fixed-rate investments and debt. The District is subject to interest rate risk at maturity or refinancing.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

16. Segmented information:

The District is a diversified municipal organization that provides a wide range of services to its citizens. For management reporting purposes, the District's operations and activities are organized and reported by service areas. Municipal services are provided by departments and their activities are reported in these service areas. Service areas that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government:

The departments within General Government are Corporate Administration, Finance, and Information Technology. These departments are responsible for adopting bylaws, adopting administrative policy, levying taxes, ensuring effective financial management, monitoring performance and ensuring that high quality municipal service standards are met.

(b) Protective Services:

Protective Services is made up of Police, Fire, Building and Planning and Animal Control. The Police Department ensures the safety of the lives and property of Oak Bay citizens through the enforcement of municipal bylaws and criminal law, the maintenance of law and order, and the prevention of crime. The Fire Department is responsible for providing critical, life-saving services in preventing or minimizing the loss of life and property from fire emergencies. The Fire Department also coordinates the District's emergency program. The Building and Planning department provides a full range of building services related to permits and current regulatory issues and through its Bylaw Enforcement division promotes, facilitates and enforces general compliance with bylaws. Animal Control services enforce the animal control bylaws and operate the pound and adoption centre for animals.

(c) Transportation Services:

Transportation Services is responsible for the construction and maintenance of roads and sidewalks throughout Oak Bay. Other duties include street cleaning, leaf pickup, snow removal and street lighting.

This department is also responsible for the construction and maintenance of the storm drain collection systems.

(d) Environmental Health Services:

The Environmental Health Services is responsible for the collection and disposal of household garbage.

(e) Recreation Services:

Recreation Services is responsible for providing, facilitating the development of, and maintaining the high quality of parks, recreation facilities, and cultural services.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

16. Segmented information (continued):

(f) Water Utilities and Sewer Collection System:

The Water Utilities and Sewer Collection System Departments operate and distribute the water and sewer networks. They are responsible for the construction and maintenance of the water and sewer distribution systems, including mains and pump stations.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. Taxation and payments-in-lieu of taxes are apportioned to General Government, Protective, Transportation, and Recreation Services based on current year expenditures less revenue from other sources. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

16. Segmented information (continued):

2023	General Government	Protective Services	Transportation Services	Environmental Health	Recreation Services	Water Utility	Sewer Collection System	Total
Revenue:								
Taxation, net	\$ -	\$ 16,322,322	\$ 7,676,520	\$ 2,407,506	\$ 9,321,616	\$ -	\$ -	\$ 35,727,964
Sales and service	78,151	29,397	33,644	-	8,309,868	5,409,818	4,895,689	18,756,567
Government transfers	6,206,106	206,124	206,222	-	745,350	-	-	7,363,802
Other revenues	354,858	1,189,247	43,158	-	103,612	-	-	1,690,875
Developer contributions	-	-	-	-	-	-	-	-
Investment income	3,617,015	-	-	-	-	-	-	3,617,015
Total revenue	10,256,130	17,747,090	7,959,544	2,407,506	18,480,446	5,409,818	4,895,689	67,156,223
Expenses:								
Salaries and wages	3,479,670	9,972,769	2,970,022	484,072	10,525,023	1,018,136	489,903	28,939,595
Materials, supplies and services	3,806,706	2,588,734	1,770,055	1,148,291	4,015,346	3,228,406	3,553,253	20,110,791
Interest and other	139,988	-	-	-	344,150	-	-	484,138
Amortization of tangible capital assets	346,343	235,288	890,299	224,697	761,850	342,252	178,743	2,979,472
Accretion	13,880	8,160	4,840	-	11,640	-	-	38,520
Total expenses	7,786,587	12,804,951	5,635,216	1,857,060	15,658,009	4,588,794	4,221,899	52,552,516
Annual surplus	\$ 2,469,543	\$ 4,942,139	\$ 2,324,328	\$ 550,446	\$ 2,822,437	\$ 821,024	\$ 673,790	\$ 14,603,707

THE CORPORATION OF THE DISTRICT OF OAK BAY

Notes to Financial Statements

Year ended December 31, 2023

16. Segmented information (continued):

2022	General Government	Protective Services	Transportation Services	Environmental Health	Recreation Services	Water Utility	Sewer Collection System	Total
Revenue:								
Taxation, net	\$ 3,580,324	\$ 14,017,743	\$ 5,842,056	\$ 1,719,867	\$ 7,484,559	\$ -	\$ -	\$ 32,644,549
Sales and service	100,647	15,814	8,920	-	7,470,403	5,139,557	4,651,832	17,387,173
Government transfers	1,195,269	734,705	-	-	835,957	-	-	2,765,931
Other revenues	652,757	994,252	9,365	-	72,814	-	-	1,729,188
Developer contributions	-	-	-	-	-	-	-	-
Investment income	1,909,881	-	-	-	-	-	-	1,909,881
Total revenue	7,438,878	15,762,514	5,860,341	1,719,867	15,863,733	5,139,557	4,651,832	56,436,722
Expenses:								
Salaries and wages	2,863,641	10,503,691	2,593,621	467,845	9,733,886	892,491	484,420	27,539,595
Materials, supplies and services	3,341,439	2,374,082	1,357,539	962,060	3,646,813	2,787,933	3,058,808	17,528,674
Interest and other	-	-	-	-	134,378	-	-	134,378
Loss on tangible capital assets	244,395	-	-	-	-	-	-	244,395
Amortization of tangible capital assets	310,765	227,724	801,839	211,551	741,583	334,343	168,851	2,796,656
Total expenses	6,760,240	13,105,497	4,752,999	1,641,456	14,256,660	4,014,767	3,712,079	48,243,698
Annual surplus	\$ 678,638	\$ 2,657,017	\$ 1,107,342	\$ 78,411	\$ 1,607,073	\$ 1,124,790	\$ 939,753	\$ 8,193,024

THE CORPORATION OF THE DISTRICT OF OAK BAY

Year ended December 31, 2023 with comparative information for 2022

Schedule – COVID-19 Restart Reserve (unaudited)

COVID-19 Restart Reserve	2023	2022
Balance, beginning of year	\$ 2,007,572	\$ 2,562,760
Received:		
Provincial transfer	-	-
Deducted:		
Revenue shortfalls	609,212	555,188
Balance, end of year	\$ 1,398,360	\$ 2,007,572

Schedule – Growing Communities Fund Reserve (unaudited)

The Province of British Columbia distributed conditional Growing Communities Fund (GCF) grants to communities at the end of March 2023 to help local governments build community infrastructure and amenities to meet the demands of population growth. The GCF provided a one-time total of \$1 billion in grants to all 161 municipalities and 27 regional districts in British Columbia. The District received \$4,773,000 of GCF funding in March 2023.

Growing Communities Fund Reserve	2023	2022
Balance, beginning of year	\$ -	\$ -
Received:		
Provincial transfer	4,773,000	-
Deducted:		
Eligible expenditures	-	-
Balance, end of year	\$ 4,773,000	\$ -