



Consolidated Financial Statements

Town of View Royal

Year ended December 31, 2023

45 View Royal Avenue
Victoria, BC Canada
V9B 1A6
www.viewroyal.ca

Town of View Royal

Consolidated Financial Statements
Year ended December 31, 2023

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Town of View Royal

Consolidated Financial Statements

Year ended December 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for British Columbia local governments and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

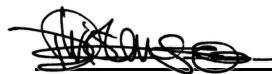
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

View Royal's Mayor and Council are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility by meeting with management and the external auditors to review the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their acceptance of the consolidated financial statements.

The external auditors, MNP LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the consolidated financial statements. Their examination includes a review and evaluation of the Town of View Royal's system of internal controls and appropriate tests and procedures to provide reasonable assurance that the consolidated financial statements are presented fairly. The external auditors have full and free access to the Mayor and Council.



Chief Administrative Officer



Director of Finance

To the Mayor and Council of the Town of View Royal:

Opinion

We have audited the consolidated financial statements of the Town of View Royal (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 annual 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is responsible for assessing the Town'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 Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Town'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 Town'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 consolidated 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 Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 14, 2024

MNP LLP

Chartered Professional Accountants

Town of View Royal

Consolidated Statement of Financial Position
as at December 31, 2023

	2023	2022
Financial assets		
Cash and cash equivalents (Note 3)	\$ 49,147,682	\$ 37,253,511
Property taxes receivable	122,881	143,284
Accounts receivable (Note 4)	1,975,958	1,918,353
Inventory held for sale	12,851	15,845
	51,259,372	39,330,993
Liabilities		
Accounts payable and accrued liabilities (Note 5)	5,045,005	4,520,651
Deposits	2,245,898	2,148,916
Deferred revenue (Note 6)	10,946,269	7,301,961
Prepaid property taxes	694,100	595,492
Long-term debt (Note 7)	4,146,384	4,587,651
Employee benefits and retirement obligations (Note 8)	309,584	293,140
	23,387,240	19,447,811
Net financial assets	27,872,132	19,883,182
Non-financial assets		
Tangible capital assets (Note 9) (Schedule 3)	122,183,649	122,831,577
Inventory of supplies	14,598	15,858
Prepaid expenses	132,690	115,923
	122,330,937	122,963,358
Commitments and contingencies (Note 16)		
Accumulated surplus (Note 10)	\$ 150,203,069	\$ 142,846,540



Dawn Christenson, BAccS, CPA, CGA

Officer responsible for financial administration

Pursuant to Section 149 of the Community Charter (SBC 2003)

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

Town of View Royal

Consolidated Statement of Operations

Year ended December 31, 2023

	Financial plan (Note 18)	2023	2022
Revenue			
Taxes for municipal purposes (Note 13)	\$ 11,318,193	\$ 11,308,449	\$ 10,203,427
User charges and sales of services	4,829,587	5,130,968	5,047,620
Investment income	115,000	1,893,688	361,967
Actuarial adjustments on debt	-	134,316	118,083
Penalties and fines	76,000	89,522	109,361
Development charges earned	722,345	225,086	183,167
Contributions from developers and others	1,018,000	913,350	1,033,479
Other revenue from own sources	307,580	391,437	375,139
Government grants and transfers (Notes 14, 15)	8,237,209	7,943,027	3,309,008
Gain (loss) on sale of tangible capital assets (Note 9)	-	(29,388)	(5,473,983)
	26,623,914	28,000,455	15,267,268
Expense			
General government services	3,022,735	2,895,314	2,827,319
Protective services	6,163,355	5,954,298	5,065,624
Transportation services	5,236,451	4,796,810	4,483,074
Environmental health services	2,784,814	2,686,647	2,544,182
Development services	753,608	527,180	561,941
Recreation and cultural services	3,703,442	3,783,677	3,755,728
	21,664,405	20,643,926	19,237,868
Annual surplus (deficit)	4,959,509	7,356,529	(3,970,600)
Accumulated surplus, beginning	142,846,540	142,846,540	146,817,140
Accumulated surplus, ending	\$ 147,806,049	\$ 150,203,069	\$ 142,846,540

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

Town of View Royal

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2023

	Financial plan (Note 18)	2023	2022
Annual surplus (deficit)	\$ 4,959,509	\$ 7,356,529	\$ (3,970,600)
Acquisition of tangible capital assets	(6,697,093)	(2,780,314)	(1,144,797)
Contributed tangible capital assets	-	-	(466,779)
Amortization of tangible capital assets	3,223,099	3,164,434	3,151,045
(Gain) loss on disposal and write-down of tangible capital assets	-	29,388	5,473,983
Proceeds on sale of tangible capital assets	-	7,200	922,871
Change in proportionate share of West Shore Parks and Recreation Society	-	227,220	396,723
Change in inventory of supplies	-	1,260	(911)
Change in prepaid expenses	-	(16,767)	(35,720)
Increase (decrease) in net financial assets	1,485,515	7,988,950	4,325,815
Net financial assets, beginning	19,883,182	19,883,182	15,557,367
Net financial assets, ending	\$ 21,368,697	\$ 27,872,132	\$ 19,883,182

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

Town of View Royal

Consolidated Statement of Cash Flows

Year ended December 31, 2023

	2023	2022
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 7,356,529	\$ (3,970,600)
Items not affecting operating activities		
Contributed tangible capital assets	-	(466,779)
Amortization of tangible capital assets	3,164,434	3,151,045
(Gain) loss on disposal and write-down of tangible capital assets	29,388	5,473,983
Change in inventory of supplies	1,260	(911)
Change in prepaid expenses	(16,767)	(35,720)
Actuarial adjustment on debt	(125,652)	(109,557)
Change in proportionate share of West Shore Parks and Recreation Society	227,220	396,723
Decrease (increase) in non-cash financial assets		
Property taxes receivable	20,403	(42,896)
Accounts receivable	(57,605)	889,904
Inventory held for sale	2,994	(6,216)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	524,354	716,941
Deposits	96,982	(124,832)
Deferred revenue	3,644,308	1,157,216
Prepaid property taxes	98,608	70,228
Employee benefits and retirement obligations	16,444	9,912
	14,982,900	7,108,441
Capital activities		
Acquisition of tangible capital assets	(2,780,314)	(1,144,797)
Proceeds on disposal of tangible capital assets	7,200	922,871
	(2,773,114)	(221,926)
Financing activities		
Debt principal repaid	(315,615)	(315,615)
Increase in cash and cash equivalents	11,894,171	6,570,900
Cash and cash equivalents, beginning	37,253,511	30,682,611
Cash and cash equivalents, ending	\$ 49,147,682	\$ 37,253,511

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

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

The Town of View Royal (the "Town") was incorporated on December 5, 1988 by letters patent issued by the Province of British Columbia. Its principal activities are the provision and coordination of local government services to residents of the incorporated area. These services include general government administration, bylaw enforcement, planning and development services, building inspection, fire protection and emergency response planning, public transportation, parks and recreation, solid waste collection and disposal, sewer collection and disposal, and street lighting.

1. Significant accounting policies

a) Principles of consolidation

The Town follows Canadian public sector accounting standards. The consolidated financial statements of the Town are prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB).

b) Reporting entity

The consolidated financial statements reflect the combined assets, liabilities, accumulated surplus, revenue and expense of all of the Town's activities and funds. The consolidated financial statements also include the Town's proportionate share of the West Shore Parks and Recreation Society (West Shore). Interfund transactions and fund balances have been eliminated on consolidation.

c) Basis of accounting

The Town follows the accrual method of accounting for revenue and expense. Revenue is normally recognized in the year in which it is earned and measurable. Expense is recognized as it is incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay. Expense paid in the current period and attributable to a future period is recorded as prepaid expense.

d) Property tax revenue

Property tax revenue is recognized at the date property tax notices are issued, based on property assessment values issued by BC Assessment for the current year and tax rates established annually by bylaw. Assessments are subject to appeal and tax adjustments are recorded when the results of appeals are known.

e) Government transfers

Government transfers are recognized as revenue in the period the transfers are authorized and any eligibility criteria have been met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability and recognized in the Consolidated Statement of Operations as revenue as the stipulation liabilities are settled.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

1. Significant accounting policies (continued)

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.

Development cost charges are amounts which are restricted by government legislation or agreement with external parties. When qualifying expenses are incurred development cost charges are recognized as revenue in amounts which equal the associated expenses.

g) Investment income

Investment income is reported as revenue in the period earned. When required by the funding entity or related legislation, investment income earned on deferred revenue is added to the deferred revenue balance.

h) Cash equivalents

Cash equivalents are comprised primarily of Municipal Finance Authority (MFA) pooled investments including money market, intermediate and bond funds. Town funds invested with MFA are pooled with other local governments and are professionally managed and objectively benchmarked by large, secure financial services organizations.

i) 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.

j) Employee benefits and retirement obligations

The Town and its employees make contributions to the Municipal Pension Plan. The Town's contributions are expensed as incurred and are included within the Consolidated Statement of Operations.

Sick leave and other retirement benefits are also available to the Town'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.

Town of View Royal

Notes to Consolidated 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, net of disposals, write-downs and amortization. The cost of tangible capital assets includes all 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, is amortized on a straight line basis over the estimated useful life as follows:

Land	Indefinite
Land improvements	10 - 25
Buildings	20 - 70
Vehicles, machinery and equipment	3 - 20
Engineering structures	10 - 100

Amortization is calculated monthly, 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 Town's ability to provide goods and services, or when the value of future economic benefits associated with the asset is less than the book value of the asset.

ii) Contributions of tangible capital assets

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

iii) Works of art and cultural and historical treasures

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

iv) Interest capitalization

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

Town of View Royal

Notes to Consolidated 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) Inventory of supplies

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

l) Use of estimates

The preparation of consolidated financial statements 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 revenue and expense during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, performing calculations of employee future benefits, sick benefits liability, collectability of accounts receivable, amortization of capital assets, determination of liability for contaminated sites, deferred charges and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

m) Adoption of new accounting standards

On January 1, 2023, the Town adopted Canadian public sector accounting standard 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. The standard was adopted on the modified retrospective basis at the date of adoption. The adoption of this standard did not have an impact on the amounts presented in the consolidated financial statements.

Effective January 1, 2023, the Town adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 Financial Instruments. The new Section is applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

1. Significant accounting policies (continued)

n) Financial instruments

The Town recognizes its financial instruments when the Town becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Town may irrevocably elect to subsequently measure any financial instrument at fair value. The Town has not made such an election during the year.

The Town subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. The Town has not presented a statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains (losses). Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating annual surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

2. Financial instruments

The Town's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, deposits, and long-term 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 Town is not exposed to significant interest or credit risks arising from these financial instruments.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

3. Cash and cash equivalents

	2023	2022
Bank deposits	\$ 36,585,698	\$ 25,315,336
Municipal Finance Authority - Money Market	1,029,469	979,922
Municipal Finance Authority - Ultra Short Bond	2,154,955	2,056,123
Municipal Finance Authority - Short-Term Bond	9,377,560	8,902,130
	<u>\$ 49,147,682</u>	<u>\$ 37,253,511</u>

Cash and cash equivalents consist of short-term investments in the MFA money market, ultra short-term, and short-term bond funds and pooled high-interest savings. The market value is equal to the carrying value. Temporary investments have yields ranging from 4.007% to 5.440%.

Included in cash and cash equivalents are the following restricted amounts:

	2023	2022
Restricted cash - West Shore reserve funds (Note 10)	\$ 361,178	\$ 359,475
Restricted investments - reserve funds (Note 10)	16,982,584	10,461,749
Restricted investments - development cost charges (Note 6)	9,466,742	6,222,401
	<u>\$ 26,810,504</u>	<u>\$ 17,043,625</u>

The Town has an operating line of credit with the Toronto Dominion Bank for an authorized amount of \$1,000,000, bearing interest at bank prime rate less 0.50% per annum. At December 31, 2023 the balance outstanding was \$nil (2022 - \$nil).

4. Accounts Receivable

	2023	2022
Government of Canada	\$ 338,440	\$ 288,910
Province of British Columbia	1,087,263	1,143,299
Regional and local governments	8,939	5,727
Deposits	2,500	2,500
Other trade receivables	538,816	477,917
	<u>\$ 1,975,958</u>	<u>\$ 1,918,353</u>

5. Accounts payable and accrued liabilities

	2023	2022
Government of Canada	\$ 534,658	\$ 734,423
Province of British Columbia	612,368	659,872
Regional and local governments	712,894	773,195
Payroll liabilities	285,212	422,232
Other trade payables	2,899,873	1,930,929
	<u>\$ 5,045,005</u>	<u>\$ 4,520,651</u>

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

6. Deferred revenue

	2023	2022
Development cost charges		
Beginning balance	\$ 6,222,401	\$ 5,232,629
Received during the year	3,076,019	1,130,464
Interest earned	393,408	42,475
Recognized as revenue	(225,086)	(183,167)
Ending balance	9,466,742	6,222,401
Deferred revenue - other	1,479,527	1,079,560
Total deferred revenue	<u>\$ 10,946,269</u>	<u>\$ 7,301,961</u>

7. Long-term debt

a) Debt outstanding

Issue #	Matures	Rate	Original Amount	Net debt 2023	Net debt 2022
117	Oct. 12, 2026	3.25%	\$ 2,445,000	\$ 607,469	\$ 796,420
127	Apr. 7, 2034	3.30%	5,490,000	3,538,915	3,791,231
			<u>\$ 7,935,000</u>	<u>\$ 4,146,384</u>	<u>\$ 4,587,651</u>

b) 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 Town.

The Town issues its debt instruments through the MFA. Debt is issued on a sinking fund basis, where the MFA invests the Town's sinking fund principal payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. Actuarial adjustments on debt represent the repayment and/or forgiveness of debt by the MFA using surplus investment income generated by the principal repayments.

Principal payments on long term debt for the next five years are as follows:

2024	\$ 315,615
2025	333,073
2026	333,073
2027	201,822
2028	201,822
Thereafter	2,760,979
Total	<u>\$ 4,146,384</u>

c) Interest expense

Total interest expense during the year was \$217,112 (2022 - \$217,112).

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

8. Employee benefit and retirement obligations

Employee benefit obligations represent accrued benefits as follows:

	2023	2022
Accrued vacation	\$ 20,507	\$ 15,018
Accrued overtime	113,233	110,803
Accrued sick leave	134,900	126,900
West Shore employee future benefit obligations	40,944	40,419
	<u>\$ 309,584</u>	<u>\$ 293,140</u>

Accrued vacation is the amount of unused vacation entitlement carried forward into the next year. Accrued sick leave is the estimated liability for sick leave for all employees. Sick leave entitlements can only be used while employed by the Town and are not paid out upon retirement or termination of employment. The accrued sick leave actuarial valuation was estimated as at December 31, 2023.

Information about liabilities for accrued sick leave is as follows:

	2023	2022
Accrued benefit obligation, beginning of year	\$ 116,400	\$ 127,500
Adjustment to benefit obligation	-	-
Current service cost	8,300	10,300
Interest cost	5,400	3,300
Benefits paid	(5,100)	(3,900)
Amortization of actuarial (gain)	(1,800)	(20,800)
Accrued benefit obligation, end of year	<u>123,200</u>	<u>116,400</u>
Unamortized gain	<u>11,700</u>	<u>10,500</u>
Accrued benefit liability, end of year	<u>\$ 134,900</u>	<u>\$ 126,900</u>

The accrued benefit liability is included as part of employee benefit obligations on the Consolidated Statement of Financial Position. The actuarial gain is amortized over a period equal to the employees' average remaining service lifetime of 11 years.

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

	2023	2022
Discount rates	4.10%	4.40%
Expected future inflation rates	3.50%	2.50%
Expected wage and salary increase	0.00% - 2.20%	2.58% - 4.50%

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

8. Employee benefit and retirement obligations (continued)

Municipal Pension Plan

The Town 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 provided 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 Town paid \$328,989 (2022 - \$291,454) for employer contributions while Town employees contributed \$284,205 (2022 - \$252,474) 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 the individual employers participating in the plan.

9. Tangible capital assets

a) Assets under construction and completed assets not yet in service

Assets under construction totaling \$1,524,386 (2022 - \$863,753) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed capital assets received during the year is \$nil (2022 - \$466,779).

c) Gain or loss on disposal of tangible capital assets

During the year, the Town recognized a net loss of \$29,388 on disposal of tangible capital assets (2022 - \$5,473,983 loss). This amount is included as gain (loss) of revenue on the Consolidated Statement of Operations.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

10. Accumulated surplus

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

Surplus	2023	2022
Equity in tangible capital assets	\$ 118,108,469	\$ 118,306,465
Appropriated surplus - casino revenue	4,751,391	4,606,192
Appropriated surplus - Community Works Fund (Note 11)	2,350,232	2,750,248
Appropriated surplus - other	605,797	506,660
Unrestricted accumulated surplus	7,043,418	5,855,751
	132,859,307	132,025,316
Capital Renewal	1,162,286	907,642
Capital Works and Land Acquisition	1,412,971	1,342,857
Community Amenity Contributions	1,623,239	662,178
Fire Department Equipment	159,125	140,090
Future Operating Expenditures	1,244,334	1,084,103
Growing Communities (Note 12)	4,879,515	-
Machinery and Equipment Depreciation	288,161	371,043
Parks and Open Space	1,505,786	1,431,067
Parks Improvements	612,952	490,136
Police Equipment, Property and Contract	365,896	353,126
Police Operation and Maintenance	2,218,321	2,009,760
Sewer System Capital	1,509,998	1,669,747
West Shore Parks and Recreation Society reserves	361,178	359,475
	17,343,762	10,821,224
	\$ 150,203,069	\$ 142,846,540

11. Community Works Fund

Community Works Fund is a component of the Gas Tax Agreement funding provided by the Government of Canada and administered through the Union of British Columbia Municipalities (UBCM). Community Works Fund transfers are recorded as revenue when received, then held as reserves until spent on eligible expenditures.

	2023	2022
Community Works Fund, beginning balance	\$ 2,750,248	\$ 2,349,862
Amounts received during the year	538,584	515,956
Interest earned	142,003	15,609
Amounts allocated to projects during the year	(1,080,603)	(131,179)
	\$ 2,350,232	\$ 2,750,248

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

12. Growing Communities Fund: Reserve Funds

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 Town of View Royal received \$4,665,000 of GCF funding in March 2023.

Growing Communities Fund	2023	2022
Balance, beginning of year	\$ -	\$ -
Amounts received during the year	4,665,000	-
Interest earned	214,515	-
Eligible costs	-	-
	<u>\$ 4,879,515</u>	<u>\$ -</u>

13. Taxes for municipal purposes

The Town 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.

Taxes	2023	2022
Property tax	\$ 19,731,648	\$ 17,919,952
Grants in lieu of taxes	70,637	58,658
1% Utility tax	144,523	136,471
	<u>19,946,808</u>	<u>18,115,081</u>
Less taxes levied for other authorities		
School authorities	5,664,395	5,209,663
Capital Regional District	1,118,508	1,047,093
Capital Regional Hospital District	625,382	623,069
British Columbia Assessment Authority	174,825	162,546
British Columbia Transit	1,054,249	868,394
Municipal Finance Authority	1,000	889
	<u>8,638,359</u>	<u>7,911,654</u>
Taxes for municipal purposes	<u>\$ 11,308,449</u>	<u>\$ 10,203,427</u>

14. Gaming revenue

The Town has an agreement with the Province whereby 10% of the net gaming revenue from community casinos is to be paid to local governments. The Town also has a casino revenue sharing agreement with neighbouring municipalities whereby 55% of the revenue received from the Province in respect of the gaming facility situated within the Town is to be disbursed to these governments. This disbursement is netted against the gaming revenue in the consolidated financial statements for the Town as disclosed below.

	2023	2022
Gaming revenue		
Amounts received during the year	\$ 4,360,712	\$ 4,456,891
Disbursements to partner municipalities	(2,398,392)	(2,451,290)
	<u>\$ 1,962,320</u>	<u>\$ 2,005,601</u>

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

15. Government grants and transfers

	2023	2022
Conditional transfers		
Federal	\$ 545,624	\$ 558,823
Provincial	6,811,962	2,185,770
Other agencies	162,441	57,940
	<u>7,520,027</u>	<u>2,802,533</u>
Unconditional transfers		
Small communities protection	344,000	449,000
Traffic fine revenue sharing	79,000	57,475
	<u>423,000</u>	<u>506,475</u>
Total government grants and transfers	<u>\$ 7,943,027</u>	<u>\$ 3,309,008</u>

16. Commitments and contingencies

- a) The Capital Regional District ("CRD") debt, under provisions of the Local Government Act, is a direct, joint and several liability of the CRD and each member municipality within the CRD, including the Town.
- b) The Town is a shareholder and member of the Capital Region Emergency Service Telecommunications Incorporated ("CREST") which provides centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.
- c) The Town is a defendant in various lawsuits. Whether claims are in progress or have yet to be initiated, the Town records an accrual in respect of legal claims that are likely to be successful and for which an amount is reasonably determinable.
- d) Under borrowing arrangements with the MFA, the Town 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 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 Town. At December 31, 2023 there were contingent demand notes of \$204,201 (2022 - \$204,201) and a contingent deposit of \$102,782 (2022 - \$99,684).
- e) The Town entered into a long term contract with the Federal Government and the Royal Canadian Mounted Police for the provision of police services. Under the terms of this contract, the Town is responsible for 70% of policing costs, which in 2024 are estimated to be \$2,582,284 (2023 actual \$2,245,166). In addition, the most recent collective agreement between the Government of Canada and the National Police Federation expired in 2023. A timeline for a new contract to be negotiated is currently unknown. The result of the new agreement will be a retroactive pay increase for RCMP members and reservists. The Town's estimated share of the retroactive pay increase for 2023 is \$37,847.
- f) The Town has purchase orders in the amount of \$169,754 open as at December 31, 2023 which have not been recorded. These amounts have been taken into account in the budget and will be recorded in the period the goods and services to which they relate are received.
- g) On October 27, 2022 the Town of View Royal awarded a contract to Safetek Fire Apparatus of Abbotsford, BC in the amount of \$975,221 USD, excluding taxes for the purpose of replacing one heavy rescue fire apparatus. Delivery of the fire truck is expected to occur in 2025.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

17. Contaminated site

The Town owns one property not in productive use with levels of contamination exceeding current environmental standards. Testing of the contamination in 2003 found no known threats to human health or safety. The property is surrounded by the ocean and undeveloped crown-owned land with no current development applications. The property and surrounding crown-owned land were historically occupied by a plywood mill. Due to uncertainty regarding the future development of the surrounding property, the Town is unable to reasonably estimate what, if any, loss of future economic benefits will occur. As such no liability has been recorded in the consolidated financial statements for the year ending December 31, 2023.

18. Financial plan

The financial plan amounts presented throughout these consolidated financial statements are audited and represent the five year financial plan bylaw (Bylaw No. 1113) approved by Council on May 2, 2023 consolidated with the proportional share of the budgeted operating revenue and expense of West Shore Parks and Recreation Society. The summary below reconciles the 2023 consolidated financial plan to the Consolidated Statement of Operations.

Consolidated financial plan, 2023 surplus (deficit)	\$ -
Add:	
Capital expenditures	6,697,093
Transfers to reserves	6,392,000
Transfers to surplus	2,474,420
Principal payments on debt	315,615
Less:	
Transfers from equity in capital assets	(3,200,270)
Transfers from reserves for operating	(221,600)
Transfers from reserves for capital	(1,709,043)
Transfers from surplus for operating	(1,749,011)
Transfers from surplus for capital	(4,039,695)
Financial plan annual surplus (deficit)	<u>\$ 4,959,509</u>

19. West Shore Parks and Recreation Society

a) Capital asset transfer

The lands and facilities comprising the Juan de Fuca Recreation Centre are owned by the member municipalities (the "Municipalities") in their proportionate share, as specified in the Co-Owners' Agreement. The Town became party to the agreement effective January 1, 2007. Future improvements are allocated among the partners as per the cost sharing formula in effect each year for each service or facility, as outlined in a Members' Agreement. For 2023, the Town's share of improvements purchased by the Society on its behalf is \$256,813 (2022 - \$85,556).

Because the cost sharing formula in the Members' Agreement produces different cost shares for the members from year to year, there is a gain (loss) on the opening fund balances. In 2023, the Town recorded a loss of (\$227,220) (2022 - loss of \$396,724).

The participating Municipalities have each become members in the Society, which was incorporated to provide parks, recreation and community services to the Municipalities under contract. Under terms of an Operating, Maintenance and Management Agreement, the Society is responsible to equip, maintain, manage and operate the facilities located at the recreation centre.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

19. West Shore Parks and Recreation Society (continued)

b) Consolidation

Financial results and budget for the Society are consolidated into the Town's financial statements proportionately, based on the cost sharing formula outlined in the Members' Agreement. In 2023, the Town's proportion for consolidation purposes was 13.210% (2022 - 13.685%). Condensed financial information for the Society is as follows:

	2023	2022
Financial assets	\$ 5,775,508	\$ 5,425,730
Financial liabilities	3,555,603	3,297,679
Net financial assets	2,219,905	2,128,051
Non-financial assets	1,673,134	1,153,172
Accumulated surplus	3,893,039	3,281,223
Revenues	9,659,065	7,316,425
Requisition for members	5,816,429	5,879,262
	15,475,494	13,195,687
Expenses	14,863,678	12,400,469
Annual surplus (deficit)	\$ 611,816	\$ 795,218

20. Segmented information

The Town is a diversified municipal organization that provides a wide range of services to its citizens. Town services are provided by departments and their activities reported separately. Certain functions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

a) General government services

The general government operations provide the functions of corporate administration, finance, human resources and legislative services and any other functions categorized as non-departmental.

b) Protective services

Protective Services includes the View Royal Fire Rescue which is a composite fire department responsible to provide fire suppression service, fire inspections of public buildings, and training and education of volunteer firefighters as well as the citizens of View Royal. In addition, it also includes policing provided by the RCMP, emergency planning, animal control and the maintenance and enforcement of building and construction bylaws as well as all other municipal bylaws. Fire protection services are provided to the Songhees and Esquimalt First Nation communities under contract.

c) Transportation services

Transportation services comprises a wide variety of services such as the annual maintenance of all municipally owned roads and bridges, sidewalks, street signage, boulevards, bus shelters, street lighting and traffic signals. Transportation also includes the design, inspection, and maintenance of the storm drain collection systems.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2023

20. Segmented information (continued)

d) Environmental health services

Environmental health services includes solid waste collection and disposal as well as collection and disposal of liquid waste through the sanitary sewer service.

e) Development services

Development services include all land use, planning, and zoning issues in the Town.

f) Recreation and cultural services

Recreation and culture includes maintenance and development of all parks and green spaces within the Town as well as the Town's financial contribution to the services provided by the Greater Victoria Public Library and the Town's portion of West Shore Parks and Recreation Society.

g) Consolidated schedules of segmented disclosure by service

Schedules 1 and 2 provide additional financial information for the foregoing functions. Certain allocation methodologies have been employed in the preparation of the segmented financial information. Taxation is apportioned based on budgeted taxation revenue as presented in the consolidated financial plan.

21. Comparative figures

Certain comparative figures have been restated to conform with the current year's presentation.

Town of View Royal

Consolidated Schedule of Segment Disclosure by Service

Year ended December 31, 2023

2023	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Development Services	Recreation and Cultural Services	2023 Actual	2023 Budget
								(Note 18)
Revenue								
Taxation for municipal purposes	\$ 2,343,439	\$ 4,253,851	\$ 2,871,975	\$ -	\$ 402,008	\$ 1,437,176	\$ 11,308,449	\$ 11,318,193
User charges and sales of services	10,732	480,170	94,022	3,063,964	474,552	1,007,528	5,130,968	4,829,587
Investment income	1,325,588	135,177	144,592	133,628	50,711	103,992	1,893,688	115,000
Actuarial adjustments on debt	-	134,316	-	-	-	-	134,316	-
Penalties and fines	74,846	14,676	-	-	-	-	89,522	76,000
Development charges earned	-	-	199,710	3,648	-	21,728	225,086	722,345
Contributions from developers and others	3,000	-	-	-	910,350	-	913,350	1,018,000
Other revenue from own sources	111,821	57,725	103,275	2,432	-	116,184	391,437	307,580
Government grants and transfers	5,516,280	492,545	610,392	-	121,024	1,202,786	7,943,027	8,237,209
Gain (loss) on sale of tangible capital assets (Note 9)	(539)	(21,233)	(7,616)	-	-	-	(29,388)	-
Total revenue	9,385,167	5,547,227	4,016,350	3,203,672	1,958,645	3,889,394	28,000,455	26,623,914
Expense								
Labour and benefits	1,692,725	2,170,870	634,082	58,478	477,263	1,624,705	6,658,123	6,607,304
Goods and services	1,120,851	3,148,363	2,211,275	2,330,250	49,917	1,516,381	10,377,037	11,616,890
Amortization	81,738	417,953	1,951,453	297,919	-	415,371	3,164,434	3,223,099
Change in proportionate share of West Shore Parks and Recreation Society	-	-	-	-	-	227,220	227,220	-
Debt interest	-	217,112	-	-	-	-	217,112	217,112
Total expense	2,895,314	5,954,298	4,796,810	2,686,647	527,180	3,783,677	20,643,926	21,664,405
Surplus (deficit)	\$ 6,489,853	\$ (407,071)	\$ (780,460)	\$ 517,025	\$ 1,431,465	\$ 105,717	\$ 7,356,529	\$ 4,959,509

Town of View Royal

Consolidated Schedule of Segment Disclosure by Service

Year ended December 31, 2023

2022	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Development Services	Recreation and Cultural Services	2022 Actual	2022 Budget
Revenue								
Taxation for municipal purposes	\$ 2,591,520	\$ 3,859,268	\$ 2,826,264	\$ -	\$ 361,799	\$ 564,576	\$ 10,203,427	\$ 10,208,319
User charges and sales of services	13,949	448,633	62,173	2,960,595	676,315	885,955	5,047,620	4,646,625
Investment income	302,966	12,638	15,005	13,347	7,623	10,388	361,967	115,000
Actuarial adjustments on debt	-	118,083	-	-	-	-	118,083	-
Penalties and fines	91,351	18,010	-	-	-	-	109,361	60,000
Development charges earned	-	-	63,910	119,257	-	-	183,167	591,503
Contributions from developers and others	688	-	466,779	-	560,700	5,312	1,033,479	-
Other revenue from own sources	92,986	40,866	168,928	-	-	72,359	375,139	258,470
Government grants and transfers	906,103	367,008	451,572	-	304,687	1,279,638	3,309,008	2,881,953
Gain (loss) on sale of tangible capital assets (Note 9)	(5,473,983)	-	-	-	-	-	(5,473,983)	-
Total revenue	(1,474,420)	4,864,506	4,054,631	3,093,199	1,911,124	2,818,228	15,267,268	18,761,870
Expense								
Labour and benefits	1,507,418	2,064,417	622,035	49,260	420,844	1,539,455	6,203,429	6,016,900
Goods and services	1,249,975	2,374,205	1,872,091	2,211,554	141,097	1,420,637	9,269,559	11,131,319
Amortization	69,926	409,890	1,988,948	283,368	-	398,913	3,151,045	3,164,347
Change in proportionate share of West Shore Parks and Recreation Society	-	-	-	-	-	396,723	396,723	-
Debt interest	-	217,112	-	-	-	-	217,112	217,112
Total expense	2,827,319	5,065,624	4,483,074	2,544,182	561,941	3,755,728	19,237,868	20,529,678
Surplus (deficit)	\$ (4,301,739)	\$ (201,118)	\$ (428,443)	\$ 549,017	\$ 1,349,183	\$ (937,500)	\$ (3,970,600)	\$ (1,767,808)

Town of View Royal

Consolidated Schedule of Tangible Capital Assets
Year ended December 31, 2023

					Vehicles, Machinery & Equipment	Engineering Structures			Work in Progress	West Shore	2023	2022
	Land	Land Improvements	Buildings		Roads	Drainage	Sewer					
Cost												
Balance, beginning	\$ 43,479,637	\$ 6,185,784	\$ 10,557,602	\$ 8,788,144	\$ 63,193,559	\$ 22,798,348	\$ 12,729,762	\$ 863,753	\$ 10,020,679	\$ 178,617,268	\$ 184,180,110	
Additions	-	363,057	254,370	892,954	137,933	27,267	94,497	1,102,839	349,603	3,222,520	1,634,003	
Disposals or write-downs	-	-	-	(134,890)	(61,354)	-	-	-	(347,813)	(544,057)	(7,174,413)	
Completed during year	-	-	-	-	-	-	-	(442,206)	-	(442,206)	(22,427)	
Balance, ending	43,479,637	6,548,841	10,811,972	9,546,208	63,270,138	22,825,615	12,824,259	1,524,386	10,022,469	180,853,525	178,617,273	
Accumulated amortization												
Balance, beginning	-	3,200,710	3,391,007	4,827,712	31,515,652	5,698,514	3,677,732	-	3,474,364	\$ 55,785,691	\$ 53,015,486	
Current year amortization	-	266,643	214,177	484,682	1,578,850	266,910	135,979	-	217,193	3,164,434	3,151,045	
Accumulated amortization on disposals or write-downs	-	-	-	(128,668)	(30,988)	-	-	-	(120,593)	(280,249)	(380,835)	
Balance, ending	-	3,467,353	3,605,184	5,183,726	33,063,514	5,965,424	3,813,711	-	3,570,964	58,669,876	55,785,696	
Net book value	\$ 43,479,637	\$ 3,081,488	\$ 7,206,788	\$ 4,362,482	\$ 30,206,624	\$ 16,860,191	\$ 9,010,548	\$ 1,524,386	\$ 6,451,505	\$ 122,183,649	\$ 122,831,577	