

**The Corporation of the City of
North Vancouver**
Consolidated Financial Statements
For the year ended December 31, 2022

Statement of Management Responsibility

The Council of the Corporation of the City of North Vancouver (“City”) has delegated the responsibility for the integrity and objectivity of the financial information contained in the consolidated financial statements to the management of the City. The consolidated financial statements which, in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are executed and recorded in accordance with authorization, and that financial records are reliable for preparation of financial statements.

The Mayor and Council oversee management's responsibilities for the financial reporting and internal control systems. Council annually reviews and approves the consolidated financial statements.

The City's independent auditors, BDO Canada LLP, are engaged to express an opinion as to whether the City's consolidated financial statements present fairly in all material respects the financial position of the City as at December 31, 2022, and the results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted auditing standards.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards.



Chief Financial Officer

Larry Sawrenko

May 8, 2023



Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
Unit 1100 - Royal Centre
1055 West Georgia Street
Vancouver BC V6E 3P3 Canada

Independent Auditor's Report

To the Mayor and Council of The Corporation of the City of North Vancouver

Opinion

We have audited the consolidated financial statements of the Corporation of the City of North Vancouver and its controlled entities (the "City"), which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statement of operations, the consolidated statement of changes in net financial assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Unaudited Information

We have not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Schedule A of the City's consolidated financial statements.

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 consolidated 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 City'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 City or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated 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 City'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 City'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 City 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 City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the City 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.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 12, 2023

**The Corporation of the City of North Vancouver
Consolidated Statement of Financial Position
As at December 31, 2022 with comparative figures for 2021
(in thousands of dollars)**

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash	\$ 61,175	\$ 74,571
Temporary investments (note 3(a))	174,057	103,526
Portfolio investments (note 3(b))	62,281	83,466
Investment in Lonsdale Energy Corp. (note 4)	4,826	4,613
Due from other governments	5,087	3,962
Accounts receivable	10,242	11,471
Loan to Lonsdale Energy Corp. (note 5)	26,653	27,043
Interest receivable	6,990	8,720
	<u>351,311</u>	<u>317,372</u>
LIABILITIES		
Accounts payable and accrued liabilities	22,199	22,680
Deferred revenue	37,607	34,258
Deferred lease revenue (note 13)	49,421	49,930
Deferred development cost charges	21,824	22,072
Debt (note 6)	-	237
Employee future benefits (note 7)	8,496	8,386
Advances and other liabilities	10,188	10,077
	<u>149,735</u>	<u>147,640</u>
NET FINANCIAL ASSETS	<u>201,576</u>	<u>169,732</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 8)	479,069	461,087
Inventories	948	746
Prepaid expenses	2,754	1,544
	<u>482,771</u>	<u>463,377</u>
ACCUMULATED SURPLUS (note 9)	<u>\$ 684,347</u>	<u>\$ 633,109</u>

Commitments and contingencies (note 10)

See accompanying notes to the consolidated financial statements



Chief Financial Officer
Larry Sawrenko

The Corporation of the City of North Vancouver
Consolidated Statement of Operations
Year ended December 31, 2022 with comparative figures for 2021
(in thousands of dollars)

	2022 Budget	2022	2021
	(notes 2(i) and 14)		
REVENUE			
Property value tax (Note 10 (a))	\$ 72,030	\$ 72,159	\$ 69,056
Parcel taxes	3,939	4,002	3,814
Licences and permits	4,335	7,165	6,441
Fines and fees	5,302	6,236	4,678
Rent	2,576	3,689	3,368
Interest, dividends and penalties	2,434	8,075	5,589
Sale of services	31,629	33,908	29,672
Rebate and recoveries	85	165	185
Grants and other	7,925	13,199	12,729
Developer contributions and other transfers	210	40,907	8,200
Loss on disposition of assets	-	(1,143)	(714)
Lonsdale Energy Corp. income (note 4)	-	213	666
	<u>130,465</u>	<u>188,575</u>	<u>143,684</u>
EXPENSES			
General government	21,983	26,231	23,211
Transportation and transit	7,458	10,771	8,866
Health, social services and housing	2,745	2,796	2,724
Development services	7,124	7,716	7,494
Protective services	30,607	28,248	28,139
Parks, recreation and culture	33,261	34,396	30,665
Water utilities	11,262	11,724	10,871
Sewer utilities	11,657	12,201	11,767
Solid waste	3,850	3,254	3,163
	<u>129,947</u>	<u>137,337</u>	<u>126,900</u>
Total expenses (note 12)			
Annual surplus	518	51,238	16,784
Accumulated surplus beginning of year	<u>633,109</u>	<u>633,109</u>	<u>616,325</u>
Accumulated surplus end of year	<u>\$ 633,627</u>	<u>\$ 684,347</u>	<u>\$ 633,109</u>

See accompanying notes to the consolidated financial statements

The Corporation of the City of North Vancouver
Consolidated Statement of Change in Net Financial Assets
Year ended December 31, 2022 with comparative figures for 2021
(in thousands of dollars)

	2022	2022	2021
	Budget		
	(notes 2(i) and 14)		
Annual surplus	\$ 518	\$ 51,238	\$ 16,784
Acquisition of tangible capital assets	(217,998)	(35,674)	(32,751)
Non-cash developer contributed assets	-	(1,540)	(737)
Proceeds on sale of tangible capital assets	-	120	213
Depreciation of tangible capital assets	17,400	17,969	17,099
Loss on disposition of tangible capital assets	-	1,143	714
	<u>(200,598)</u>	<u>(17,982)</u>	<u>(15,462)</u>
Acquisition of inventories		(1,173)	(1,182)
Acquisition of prepaid expenses	-	(3,741)	(1,591)
Use of inventories	-	971	1,140
Use of prepaid expenses	-	2,531	1,874
	<u>-</u>	<u>(1,412)</u>	<u>241</u>
Increase (decrease) in net financial assets	(200,080)	31,844	1,563
Net financial assets, beginning of year	<u>169,732</u>	<u>169,732</u>	<u>168,169</u>
Net financial assets, end of year	<u>\$ (30,348)</u>	<u>\$ 201,576</u>	<u>\$ 169,732</u>

See accompanying notes to the consolidated financial statements

The Corporation of the City of North Vancouver
Consolidated Statement of Cash Flows
Year ended December 31, 2022 with comparative figures for 2021
(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Cash provided by (used for):		
Operating Transactions		
Annual surplus	\$ 51,238	\$ 16,784
Items not involving cash:		
Depreciation expense	17,969	17,099
Loss on disposal of tangible capital assets	1,143	714
Non-cash developer contributed assets	(1,540)	(737)
Lonsdale Energy Corp. income	(213)	(666)
Changes in non-cash operating items:		
Increase in due from other governments	(1,125)	(90)
Decrease (increase) in accounts receivable	1,229	(418)
Change in loan to Lonsdale Energy Corp.	390	(525)
Decrease in interest receivable	1,730	3,698
Decrease in accounts payable and accrued liabilities	(481)	(16,675)
Increase in deferred revenue	3,349	2,126
Decrease in deferred lease revenue	(509)	(1,995)
Increase (decrease) in deferred development cost charges	(248)	109
Increase in accrued employee future benefits	110	157
Increase (decrease) in advances and other liabilities	111	(274)
Increase in inventories	(202)	(43)
Decrease (increase) in prepaid expenses	(1,210)	284
	<u>71,741</u>	<u>19,548</u>
Capital Transactions		
Cash used to acquire tangible capital assets	(35,674)	(32,751)
Proceeds from sale of tangible capital assets	120	213
	<u>(35,554)</u>	<u>(32,538)</u>
Investing Transactions		
Increase in temporary investments	(70,531)	(47,937)
Decrease in portfolio investments	21,185	19,035
	<u>(49,346)</u>	<u>(28,902)</u>
Financing Transactions		
Repayment of long-term debt	(237)	(228)
	<u>(13,396)</u>	<u>(42,120)</u>
Decrease in cash	(13,396)	(42,120)
Cash, beginning of year	74,571	116,691
Cash, end of year	<u>\$ 61,175</u>	<u>\$ 74,571</u>

See accompanying notes to the consolidated financial statements

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)

1. OPERATIONS

The City of North Vancouver (the “City”) was incorporated in 1907 and operates under the provisions of the Community Charter and the Local Government Act of British Columbia. The City’s principal activity is the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water and sanitary services.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City have been prepared in accordance with Canadian public sector accounting standards, as prescribed by the Public Sector Accounting Board (“PSAB”). The significant accounting policies are summarized below:

(a) Basis of Presentation

The consolidated financial statements include the accounts of all the funds of the City, the accounts of the North Vancouver City Library, which is controlled by the City, the City’s 33.94% proportionate share of the operations of the North Vancouver Recreation Commission, and the City’s 50% proportionate share of the operations of the North Vancouver Museum and Archives Commission. The City’s investment in Lonsdale Energy Corporation (“LEC”), a wholly owned government business enterprise, is accounted for using the modified equity method.

The City has an agreement with the District of North Vancouver in the operation and management of the North Vancouver Recreation Commission, and the City includes its proportionate share in the City’s consolidated financial statements. The current agreement specifies that the operating costs shall be paid 33.94% (2021 – 33.94%) by the City and 66.06% (2021 – 66.06%) by the District of North Vancouver. Each municipality is responsible for its own facilities and pays 100% of all capital costs relating to improvement, expansion and replacement of buildings or facility equipment.

The City also has an agreement with the District of North Vancouver in the operation and management of the North Vancouver Museum and Archives Commission, and the City includes its proportionate share in the City’s consolidated financial statements. The current agreement specifies that the operating costs shall be paid 50% (2021 – 50%) by the City and 50% (2021 – 50%) by the District of North Vancouver. Each municipality is responsible for its own facilities and pays 100% of all capital costs relating to improvement, expansion and replacement of buildings or facility equipment.

(b) Basis of Accounting

Revenue is recorded on an accrual basis and recognized when earned. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue Recognition

Taxes are recognized as revenue in the year that the taxes are authorized, the taxable event occurs and they are considered collectible. Through the British Columbia Assessments appeal process, taxes may be adjusted by way of supplementary roll adjustments. The effects of these adjustments on taxes are recognized at the time they are awarded. Levies imposed for Regional District services and other taxing authorities are not included. Lease revenue is recognized on a straight-line basis over the term of the lease.

Charges for sewer, water and solid waste usage are recorded as user fees. Connection fees revenues are recognized when the connection has been established.

Sale of service and other revenue are recognized on an accrual basis.

(d) Deferred Revenue

Deferred revenue consists of prepaid property taxes, prepaid business licenses, and fees paid in advance for services yet to be provided.

(e) Deferred Lease Revenue

Deferred lease revenue consists of funds collected in advance of rental periods for Long-Term Prepaid Leases, which will be recognized as revenue, on a straight line basis, over the term of the lease.

(f) Deferred Development Cost Charges

Development cost charges collected to pay for future capital projects are deferred upon receipt and recognized as revenue when the capital costs for which they were collected are incurred.

(g) Temporary Investments

Temporary investments include bank issued notes and bonds and provincial bonds and debentures maturing in the subsequent year and are valued at the lower of cost or market value.

(h) Portfolio Investments

Portfolio investments include bank issued notes and bonds and provincial bonds and debentures maturing after the subsequent year end. Securities are recorded at their cost and written down to reflect losses in value that are other than temporary.

(i) Budget Figures

The budget figures are based on the five year financial plan adopted on April 11th, 2022.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Government Transfers

Unrestricted government transfers are recognized as revenue in the year that the transfer is authorized by the issuing government and any eligibility criteria have been met. Restricted government transfers, in the way of grants or other transfers, are recognized as revenue in the year in which any stipulations that create liabilities are met.

(k) Employee Future Benefits

The City and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer plan, contributions are expensed as incurred.

Sick leave and post-employment benefits also accrue to the City's employees. The liabilities related to these benefits are actuarially determined based on services and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefits plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(l) Long-term Debt

Long-term debt is recorded in the consolidated financial statements net of sinking fund payments and adjustments.

(m) Non-Financial Assets

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

(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, is amortized on a straight line basis over their estimated useful lives as follows:

Land improvements	Straight line over useful life of each asset unit	10 – 100 years
Parks	Straight line over useful life of each asset unit	10 – 75 years
Buildings	Straight line over useful life of each asset unit	10 – 100 years
Machinery & equipment	Straight line over useful life of each asset unit	3 – 25 years
Vehicles	Straight line over useful life of each asset unit	6 – 25 years
Infrastructure	Straight line over useful life of each asset unit	7 – 100 years
Library materials	Straight line over useful life of each asset unit	2 – 5 years
Work in progress	Not depreciated until put into use	

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Non-Financial Assets (continued)

(ii) Contributions of Tangible Capital Assets

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

(iii) Works of Art and Historic Assets

The City and the Museum and Archives Commission manages and controls various works of art and non-operational historic assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas.

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

(iv) Natural Resources

Horticultural assets such as treed areas, grassy areas and gardens are not recognized as assets in the consolidated financial statements.

(v) Interest Capitalization

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

(vi) Leased Tangible Capital Assets

Leases that 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 payments are charged to expenses as incurred.

(vii) Inventories

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

(n) Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the disclosure of contingent liabilities. Areas requiring significant estimation are post-employment benefits, compensated absences and termination benefits, estimated useful life of tangible capital assets and measurement of contingent liabilities. Actual results could differ from these estimates.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information related to expenses. See note 12.

(p) Contaminated Sites

A liability for contaminated sites is recognized when a site is not in productive use or an unexpected event has occurred and the following criteria are met:

- i) an environmental standard exists;
- ii) contamination exceeds the environmental standard;
- iii) the City is directly responsible or accepts responsibility;
- iv) it is expected that future economic benefits will be given up; and
- v) a reasonable estimate of the amount can be made

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

3. INVESTMENTS

(a) Temporary Investments

The fair value of temporary investments at December 31, 2022 was \$174,401,892 (2021 - \$106,252,156). Financial instruments included in temporary investments range in maturity date from January 2023 to December 2023, and range in yield from 1.05% to 4.80%. Included in temporary investments is \$140,120,709 (2021 - \$50,351,077) in High Interest Savings Accounts.

(b) Portfolio Investments

The fair value of portfolio investments at December 31, 2022 was \$63,932,662 (2021 - \$91,472,860). These investments range in maturity from January 2024 to May 2031, and range in yield from 1.30% to 7.52%.

4. INVESTMENT IN LONSDALE ENERGY CORPORATION ("LEC")

The City owns all the issued and outstanding shares of LEC, which was incorporated under the Business Corporations Act (British Columbia) on July 7, 2003. LEC operates a district energy system providing hydronic energy to residential, institutional and commercial buildings in the City of North Vancouver.

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)

4. INVESTMENT IN LONSDALE ENERGY CORPORATION (“LEC”) (continued)

Summarized financial information relating to LEC is as follows:

	2022	2021
Cash and accounts receivable	\$ 3,002	\$ 2,956
Plant and equipment	38,420	37,381
Other assets	767	711
Total assets	<u>\$ 42,189</u>	<u>\$ 41,048</u>
Accounts payable and accrued liabilities	\$ 2,895	\$ 2,173
Deferred contributions	7,815	7,322
Debt ¹	26,653	26,940
Total Liabilities	<u>\$ 37,363</u>	<u>\$ 36,435</u>
Shareholder's equity	<u>\$ 4,826</u>	<u>\$ 4,613</u>
Total revenue	\$ 9,702	\$ 8,277
Total expenses	9,489	7,610
Net income	<u>\$ 213</u>	<u>\$ 667</u>

Included in the City's Consolidated Statement of Financial Position is "Investment in Lonsdale Energy Corp." in the amount of \$4,826,000 (2021 - \$4,613,000) and a ¹ loan receivable in the amount of \$26,653,000 (note 5) (2021 - \$27,043,000). Also, included in accounts receivable in the City's Consolidated Statement of Financial Position are receivables from LEC in the amount of \$1,122,000 (2021 - \$666,000).

5. LOAN RECEIVABLES

(a) Lonsdale Energy Corporation

The loan receivable balance of \$26,653,000 (2021 - \$27,043,000) consists of the following interest bearing promissory notes:

(a) On August 1, 2018, the City converted amounts due from LEC whereby LEC issued a 5 year promissory note to the City in the amount of \$33,661,966. The loan matures on August 1, 2023 and bears interest at 2.65% per annum. On July 15, 2019 and November 17, 2021, the City's Council authorized LEC to borrow an additional \$1,681,000 and \$290,000 respectively. These Promissory notes were subsequently issued and carry the same terms as the initial promissory note. The promissory notes to the City have been partially drawn upon with a balance owing at December 31, 2022 of \$26,653,000 (2021 - \$27,043,000).

All loans are due with a 12 month notice period and bear interest at 2.65% (2021 - 2.65%). Interest revenue of \$704,000 (2021 - \$709,000) and dividend revenue of \$53,900 (2021 - \$33,000) has been included in the Consolidated Statement of Operations.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)**

5. LOAN RECEIVABLES (continued)

(a) Lonsdale Energy Corporation (continued)

At the maturity date of the loan to LEC, the City may, at its discretion, extend the terms of the loan in whole or in part or LEC may repay the loan in whole or in part using either internal or external financing. Subsequent to December 31, 2022, on April 17, 2023, the City renewed and consolidated the outstanding and authorized loans with LEC on a 5-year demand term at an interest rate of 3.51% compounded quarterly as of August 1, 2023.

(b) British Columbia Photography and Media Arts Society (“The Polygon Gallery”)

The City converted a loan guarantee for the British Columbia Photography and Media Arts Society (“The Polygon Gallery”) to a loan agreement between the City and the Polygon Gallery in accordance with the Community Charter. The total debt issued was up to \$510,000, with the principal balance outstanding at December 31, 2022 was \$257,000. The loan agreement expires on March 27, 2027.

Interest revenue of \$10,361 (2021 - \$nil) has been included in the Consolidated Statement of Operations. The interest rate is set as the monthly prime interest rate.

6. DEBT

The City had financed the expansion of LEC by assuming debt on behalf of LEC through the Municipal Finance Authority in accordance with the Community Charter. Debt principal is reported net of repayments and actuarial adjustments. The City carries no other long-term debt. The total debt issued, including future principal re-payments and actuarial adjustments on the net outstanding debt outstanding as at December 31, 2022 was \$nil (2021 - \$237,098).

Interest expense of \$3,000 (2021 - \$6,000) has been included in the Consolidated Statement of Operations. The interest rate on long-term debt was 0.3% per annum.

The City has a revenue anticipation borrowing bylaw, 2020, No 8749 authorized to borrow up to \$35M to ensure the city is able to continue providing essential services to its citizens. There has been no drawdown on the facility (2021 - \$nil).

7. EMPLOYEE FUTURE BENEFITS

(a) Sick and Severance

Employees of the City are entitled to payments related to unused sick leave and severance upon retirement or resignation after ten years of service. The amount recorded for these benefits is based on an actuarial valuation done by an independent firm of actuaries using a projected benefit actuarial valuation method pro-rated on services. The most recent actuarial valuation of the City’s future benefits was completed as at December 31, 2022.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)**

7. EMPLOYEE FUTURE BENEFITS (continued)

(a) Sick and Severance (continued)

Information regarding the City's obligations for these benefits, including 100% of the North Vancouver City Library and its proportionate share of the North Vancouver Recreation Commission, and North Vancouver Museum and Archives Commission, is as follows:

	2022	2021
Benefit obligation - beginning of the year	\$ 7,906	\$ 8,505
Add: Current service costs	731	789
Interest on accrued benefit obligation	206	186
Less: Actuarial gain	(1,115)	(778)
Benefits paid	(784)	(796)
Benefit obligation - end of the year	\$ 6,944	\$ 7,906
Add: Unamortized actuarial gain	1,552	480
Accrued benefit liability - end of the year	<u>\$ 8,496</u>	<u>\$ 8,386</u>

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

	2022	2021
Discount rates	4.50%	2.50%
Future inflation rates	2.00%	2.00%
Compensation increases	2.58% to 4.63%	2.58% to 4.63%

The unamortized actuarial gain is amortized over a period equal to the employees' average remaining service lifetime of eleven years for the City (2021 - 11 years).

(b) Council Retirement Stipend

Starting 2005, Council Members are entitled to a retirement stipend based on 9.98% of the individual's total indemnity received subsequent to 2002. These amounts are accrued as earned and recorded in accounts payable and accrued liabilities.

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)

8. TANGIBLE CAPITAL ASSETS

2022	Land	Land Improvements	Parks	Buildings	Machinery & Equipment	Vehicles	Infrastructure	Library Materials	Work in Progress	Total
Costs										
Balance beginning of year	\$ 44,909	\$ 82,368	\$ 55,657	\$ 149,690	\$ 24,018	\$ 12,585	\$ 250,762	\$ 942	\$ 71,357	\$ 692,288
Additions and Adjustments	1,320	50	3,160	121	3,243	1,474	27,773	218	(145)	37,214
Disposals	-	7	1,122	682	1,160	1,341	1,502	205	-	6,019
Balance end of year	\$ 46,229	\$ 82,411	\$ 57,695	\$ 149,129	\$ 26,101	\$ 12,718	\$ 277,033	\$ 955	\$ 71,212	\$ 723,483
Accumulated Depreciation										
Balance beginning of year	\$ -	\$ 19,083	\$ 19,281	\$ 72,475	\$ 18,134	\$ 6,611	\$ 95,150	\$ 467	\$ -	\$ 231,201
Depreciation and Adjustments	-	2,433	1,918	4,970	2,502	760	5,170	216	-	17,969
Disposals	-	7	1,086	360	1,160	1,062	876	205	-	4,756
Balance end of year	\$ -	\$ 21,509	\$ 20,113	\$ 77,085	\$ 19,476	\$ 6,309	\$ 99,444	\$ 478	\$ -	\$ 244,414
Net Book Value	\$ 46,229	\$ 60,902	\$ 37,582	\$ 72,044	\$ 6,625	\$ 6,409	\$ 177,589	\$ 477	\$ 71,212	\$ 479,069
2021										
Cost										
Balance beginning of year	\$ 43,909	\$ 82,357	\$ 55,508	\$ 141,793	\$ 23,382	\$ 11,867	\$ 244,320	\$ 929	\$ 57,677	\$ 661,742
Additions	1,000	11	149	7,897	1,134	1,391	7,990	236	71,357	91,165
Disposals	-	-	-	-	498	673	1,548	223	57,677	60,619
Balance end of year	\$ 44,909	\$ 82,368	\$ 55,657	\$ 149,690	\$ 24,018	\$ 12,585	\$ 250,762	\$ 942	\$ 71,357	\$ 692,288
Accumulated Depreciation										
Balance beginning of year	\$ -	\$ 16,655	\$ 17,365	\$ 66,996	\$ 17,091	\$ 6,491	\$ 91,042	\$ 477	\$ -	\$ 216,117
Depreciation expense	-	2,428	1,916	5,479	1,541	692	4,830	213	-	17,099
Disposals	-	-	-	-	498	572	722	223	-	2,015
Balance end of year	\$ -	\$ 19,083	\$ 19,281	\$ 72,475	\$ 18,134	\$ 6,611	\$ 95,150	\$ 467	\$ -	\$ 231,201
Net Book Value	\$ 44,909	\$ 63,285	\$ 36,376	\$ 77,215	\$ 5,884	\$ 5,974	\$ 155,612	\$ 475	\$ 71,357	\$ 461,087

(a) Work in Progress

Work in progress having a cost of \$71,212,000 (2021 - \$71,357,000) has not been amortized. Amortization of these assets will commence when the asset is in service.

(b) Developer Contributed Tangible Capital Assets and Other Transfers

Developer contributed tangible capital assets and other transfers of \$1,540,000 (2021 - \$737,000) have been recognized during the year.

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)

9. ACCUMULATED SURPLUS

	2022	2021
General funds – general, water and sewer & drainage (a)	\$ 55,002	\$ 51,719
Reserve fund (b)	124,527	100,376
Capital fund (c)	504,818	481,014
Accumulated surplus, end of year	<u>\$ 684,347</u>	<u>\$ 633,109</u>

(a) General funds – general, water and sewer

	2022	2021
Appropriated:		
General fund	\$ 21,867	\$ 17,408
Water fund	4,112	2,547
Sewer & Drainage fund	14,049	11,508
Unappropriated:		
General fund	9,094	14,002
Water fund	3,478	1,446
Sewer & Drainage fund	690	690
General funds – COVID-19 Safe Restart Grant	1,712	4,118
	<u>\$ 55,002</u>	<u>\$ 51,719</u>

(b) Reserve Funds

	Balance December 31, 2021	Contributions & Transfers	Earnings	Less Expenditures	Balance December 31, 2022
Machinery and Equipment					
Engineering	\$ 3,295	\$ 187	\$ 180	\$ 442	\$ 3,220
Fire	268	268	31	200	367
General	65	-	7	20	52
Computer	107	38	3	52	96
Building	236	-	-	95	141
Local Improvements	780	11	22	11	802
Affordable Housing	6,984	3,588	292	238	10,626
Tax Sale Lands	34,576	-	1,211	721	35,066
Waterworks	4,774	-	161	-	4,935
Parking	341	167	6	508	6
Civic Amenity	44,961	33,105	3,043	30,777	50,332
Justice Administration Accommodation	80	-	-	8	72
Streets DCC	-	1,092	-	1,092	-
Parks DCC	-	1,218	-	1,218	-
Lower Lonsdale Amenity	8	-	-	-	8
Lower Lonsdale Legacy	2,631	-	88	47	2,672
Infrastructure	269	-	562	-	831
Public Art	599	85	21	70	635
Marine Drive Community Amenity	-	-	-	-	-
Sustainable Transportation	164	88	5	67	190
Carbon Fund	238	65	13	(236)	552
Civic Amenity HJRC	-	37,831	510	24,417	13,924
Total	<u>\$ 100,376</u>	<u>\$ 77,743</u>	<u>\$ 6,155</u>	<u>\$ 59,747</u>	<u>\$ 124,527</u>

(c) Capital Fund

	2022	2021
Invested in tangible capital assets	\$ 479,069	\$ 461,087
Appropriated capital funds	25,749	19,927
	<u>\$ 504,818</u>	<u>\$ 481,014</u>

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)

10. COMMITMENTS AND CONTINGENCIES

(a) Property Taxes

The City is obliged to levy, collect and remit property taxes on behalf of, and to finance the arrears of property taxes of, other bodies as follows:

	2022	2021
Tax collected	\$ 127,265	\$ 125,024
Less collections for and remittances to other bodies:		
Provincial Government - Schools	\$ 41,153	\$ 41,917
Greater Vancouver Regional District	2,029	1,935
Greater Vancouver Transportation Authority	9,878	10,033
British Columbia Assessment Authority	1,538	1,565
Municipal Finance Authority	8	7
BIA Lower Lonsdale Society	500	511
	<u>\$ 55,106</u>	<u>\$ 55,968</u>
Property Value Tax	<u>\$ 72,159</u>	<u>\$ 69,056</u>

(b) Pension Liability

The City 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, 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local governments.

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

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

The City paid \$4,514,000 (2021 - \$4,521,000) for employer contributions to the plan in fiscal 2022.

**The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)**

10. COMMITMENTS AND CONTINGENCIES (continued)

(b) Pension Liability (continued)

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.

(c) Contingent Liabilities

The City is currently engaged in or party to certain legal actions, assessment appeals and other existing conditions involving uncertainty which may result in material loss. A reasonable estimate of these future liabilities has been made where possible and is recorded in the financial statements as a liability. Where the outcomes or amounts or losses are uncertain, management has determined that there are no potential material amounts involved.

(d) E-Comm

The City is a member of Emergency Communications for British Columbia, Incorporated ("E-Comm"), an organization comprised predominately of member municipalities, for the purpose of providing emergency dispatch services. The City is represented on the board and as a class "A" shareholder has voting rights should the organization want to incur additional debt.

The E-Comm facility was constructed using debt as a financing mechanism and members are liable for a proportionate share of that debt. This debt is repaid by members through annual fees charged by E-Comm. Should E-Comm dissolve, the members would be liable for a proportionate share of any residual debt. Alternatively, should members choose to opt out of E-Comm they would be liable for a proportionate share of debt at the time of withdrawal.

The City holds 2 class "A" shares and one class "B" share.

(e) Contractual Obligations

As at December 31, 2022 the City had entered into various construction contracts for a total outstanding value of \$164.6M.

11. TRUST FUNDS

Certain assets have been conveyed or assigned to the City to be administered as directed by an agreement or statute. The City holds the assets for the benefit of, and stands in a fiduciary relationship to, the beneficiary. The Cemetery Trust Fund, totaling \$3,648,000 (2021 - \$3,437,000), which is administered by the City, has not been included with the City's accounts.

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)

12. SEGMENTED INFORMATION

The City is a diversified municipal government entity in the Province of British Columbia that provides a wide range of services to its citizens. Certain functional areas have been combined and separately disclosed in the segmented information. The segments and the services they provide are as follows:

General Government

General Government provides the administrative and legislative services that support the various sectors of the City. Functions include financial planning and reporting, economic development and legislative services.

Transportation and Transit

The Transportation and Transit division aims to provide enhanced access to public transit, safe pedestrian and cyclist routes, accessible transportation for people with limited mobility and maintain existing infrastructure. These goals are achieved through street design, traffic signals and signs, street lighting and road maintenance activities.

Health, Social Services and Housing

Health, Social Services and Housing encompasses a wide variety of City funded initiatives aimed at supporting the social structure and sustainability of the community. Included are cemetery operations, youth and family support services, seniors programs and homeless prevention initiatives.

Development Services

Development Services' focus is community planning, which includes land use guidelines, the management of City owned lands, heritage planning and development of the City's official community plan.

Protective Services

Protective Services is comprised of the North Vancouver RCMP detachment, the North Vancouver City Fire Department and bylaw enforcement. The North Vancouver RCMP detachment plays an integral role in the protection of North Vancouver residents and their property through crime prevention and detection, emergency response and victim services. The North Vancouver City Fire Department is responsible to provide fire suppression service, fire prevention services and fire safety education.

Parks, Recreation and Culture

Parks, Recreation and Culture provides access to recreation facilities, the operation and maintenance of the City's many parks and trails, the North Vancouver City Library and the City's participation in the North Vancouver Museum and Archives and the North Vancouver Recreation and Culture Commission.

Water Utilities

The Water Utility, in conjunction with Metro Vancouver, provides safe, clean, reliable water to the residents and businesses of the City of North Vancouver.

Sewer & Drainage Utilities

The Sewer & Drainage Utility collects waste water and transports it to trunk water mains and wastewater treatment plants operated by Metro Vancouver. In addition to the collection of wastewater, the Sewer Utility also manages the City's 150km storm drainage system which diverts rainfall runoff with an emphasis on flood prevention.

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)

12. SEGMENTED INFORMATION (continued)

Solid Waste

The Solid Waste Utility provides curbside garbage, recycling and yard trimmings collection to the residents of the City of North Vancouver.

The Consolidated Statement of Operations by segment and services is as follows:

	Revenues	Expenses						Total	Annual Surplus(Deficit)
		Wages & Benefits	Goods & Supplies	Services	Depreciation	Capitalized			
General government	\$ 124,494	\$ 18,648	\$ 5,169	\$ (275)	\$ 5,508	\$ (2,819)	\$ 26,231	\$ 98,263	
Transportation and transit	4,926	3,293	782	12,755	3,639	(9,698)	10,771	(5,845)	
Health, social services and housing	615	451	149	2,254	4	(62)	2,796	(2,181)	
Development services	10,275	5,733	33	1,950	-	-	7,716	2,559	
Protective services	1,393	19,156	938	7,716	710	(272)	28,248	(26,856)	
Parks, recreation and culture	11,792	15,864	1,461	30,822	6,312	(20,063)	34,396	(22,604)	
Water utilities	15,655	1,811	8,626	1,488	948	(1,149)	11,724	3,931	
Sewer utilities	16,081	1,884	415	10,437	848	(1,383)	12,201	3,880	
Solid waste	3,344	1,518	86	1,650	-	-	3,254	91	
2022	<u>\$ 188,575</u>	<u>\$ 68,358</u>	<u>\$ 17,659</u>	<u>\$ 68,797</u>	<u>\$ 17,969</u>	<u>\$ (35,446)</u>	<u>\$ 137,337</u>	<u>\$ 51,238</u>	
2021	<u>\$ 143,684</u>	<u>\$ 64,156</u>	<u>\$ 19,605</u>	<u>\$ 58,791</u>	<u>\$ 17,099</u>	<u>\$ (32,751)</u>	<u>\$ 126,900</u>	<u>\$ 16,784</u>	

13. DEFERRED LEASE REVENUE

In 2020 the City entered into an agreement for the Harry Jerome Neighborhood Lands for a lease term of 99 years and included in deferred revenue is \$49.4M (2021 - \$49.9M).

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)

14. BUDGET FIGURES

The budget figures presented in these consolidated financial statements include 100% of the North Vancouver City Library and the City's proportionate share of the North Vancouver Recreation Commission, and North Vancouver Museum and Archives Commission. The financial plan was approved by Council as the Financial Plan for the Years 2022 to 2026 Bylaw, 2022, No. 8918 on April 11th, 2022. The table below reconciles the approved budget to the budget figures reported.

	<u>Financial Plan Bylaw</u>
Revenue per Statement of Operations	\$ 130,465
Less:	
Budget adjustments for consolidation	(213)
Transfers from reserve	(1,775)
Interagency funds	<u>(6,285)</u>
	<u>(8,273)</u>
Revenue per Financial Plan Bylaw 8918	<u>122,192</u>
Expenses per Statement of Operations	129,947
Adjustments:	
Decrease for capital expenditures	(5,549)
Increase for non-capital projects	<u>1,962</u>
Budget adjustments for consolidation	4,323
Decrease for interagency payments	<u>(6,285)</u>
	<u>(5,549)</u>
Expenses per Financial Plan Bylaw 8918	<u>124,398</u>
Deficit for the year	(2,206)
Reserves and capital:	
Capital expenditures	(217,998)
Depreciation	17,400
Equity	(17,243)
Transfers from reserves	92,659
Proceeds from debt	109,000
Debt servicing	(625)
External contributions	<u>19,013</u>
Annual budgeted surplus per Financial Plan Bylaw 8918	<u>\$ -</u>

The Corporation of the City of North Vancouver
Notes to Consolidated Financial Statements
Year ended December 31, 2022
(tabular amounts in thousands of dollars)

15. COVID-19 IMPACT

Subsequent to the previous year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be specific impact on the City, its citizens, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the City's assets and future ability to deliver services and projects.

The Corporation of the City of North Vancouver
Schedule A - Unaudited
Year ended December 31, 2022
(tabular amounts in thousands of dollars)

Schedule A: COVID-19 Safe Restart Grant

	<u>2022</u>
2021 Grant Funding Balance	\$ 4,118
Grant Expenditure:	
Business Continuity	(337)
Community Resiliency & Recovery	(285)
City Services	(1,010)
Response & Emerging Issues	(28)
Capital Projects Shortfalls Due to COVID-19	<u>(746)</u>
2022 Grant Funding Balance	<u>\$ 1,712</u>