

**The Corporation of the District of North Vancouver
Consolidated Financial Statements
Year Ended December 31, 2019**

And Independent Auditors' Report thereon

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of the Corporation of the District of North Vancouver

Opinion

We have audited the consolidated financial statements of the Corporation of the District of North Vancouver (the "District"), which comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2019 and its consolidated results of operations, its consolidated changes in net financial assets, and 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report and includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

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



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

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

May 12, 2020

The Corporation of the District of North Vancouver
Consolidated Statement of Financial Position
As of December 31, 2019

	2019	2018
Financial assets		
Cash and cash equivalents (Note 2)	\$ 62,510,046	\$ 28,090,065
Taxes receivable	5,631,044	5,222,978
Accounts receivable	5,313,361	5,029,636
Due from governments (Note 3)	4,172,611	4,697,064
Investments (Note 4)	250,198,752	253,751,944
MFA debt reserve deposit	583,515	570,233
Inventories held for resale	131,985	166,159
	<u>328,541,314</u>	<u>297,528,079</u>
Liabilities		
Accounts payable and accrued liabilities	20,107,330	20,386,912
Due to governments (Note 5)	22,570,804	16,518,231
Restricted revenue (Note 6)	31,880,289	21,702,382
Deferred revenue (Note 7)	25,033,446	23,687,537
Debt (Note 8)	34,936,873	37,033,861
Post-employment benefits (Note 9)	11,133,360	10,830,540
Deposits and other liabilities	31,417,177	27,682,126
	<u>177,079,279</u>	<u>157,841,589</u>
Net financial assets	151,462,035	139,686,490
Non-financial assets		
Prepaid expenses	1,334,128	1,157,740
Inventories held for consumption	1,204,643	1,194,520
Tangible capital assets (Note 10)	702,089,266	675,169,821
Other assets	99,576	149,207
	<u>704,727,613</u>	<u>677,671,288</u>
Accumulated surplus (Note 11)	\$ 856,189,648	\$ 817,357,778
Commitments and contingencies (Note 13)		
Subsequent event (Note 19)		


 Andy Wardell, CPA, CGA, MA
 GM, Finance & CFO

See accompanying notes to consolidated financial statements

The Corporation of the District of North Vancouver
Consolidated Statement of Operations
Year Ended December 31

	2019 Budget	2019	2018
	(Note 16)		
Revenue			
Taxation (Note 12)	\$ 108,062,126	\$ 111,521,856	\$ 106,718,133
Sales, fees, and user charges			
Water	27,769,884	27,739,568	26,852,133
Sewer	24,896,512	23,854,209	23,711,583
Solid waste	7,741,828	7,633,345	7,401,613
Parks, recreation and culture	13,800,065	14,568,324	13,734,483
Other	25,689,253	29,003,072	32,340,613
Transfer from governments			
Federal Government	182,023	473,369	1,787,849
Provincial Government	1,383,841	1,732,782	3,777,492
Regional Government	9,524,245	1,917,005	1,278,227
Investment income	4,432,820	7,444,115	5,600,144
Land sales and other contributions	32,514,684	6,653,235	17,563,550
	<u>255,997,281</u>	<u>232,540,880</u>	<u>240,765,820</u>
Expenses (Note 15)			
General government	24,058,734	41,808,286	39,439,147
Protective services	48,786,196	48,661,859	47,085,213
Solid waste removal services	8,392,615	7,972,282	7,818,025
Social services	3,258,356	2,749,330	2,926,204
Development services	5,115,605	4,447,143	4,720,610
Transport and other services	10,130,285	11,352,917	9,922,774
Parks, recreation and cultural services	39,599,072	39,860,145	37,338,349
Water utility services	20,737,392	19,582,836	18,973,998
Sewer utility services	17,141,123	17,274,212	16,326,152
	<u>177,219,378</u>	<u>193,709,010</u>	<u>184,550,472</u>
Annual surplus	<u>\$ 78,777,903</u>	<u>38,831,870</u>	<u>56,215,348</u>
Accumulated surplus, beginning of year		<u>817,357,778</u>	<u>761,142,430</u>
Accumulated surplus, end of year		<u>\$ 856,189,648</u>	<u>\$ 817,357,778</u>

The Corporation of the District of North Vancouver
Consolidated Statement of Cash Flows
Year Ended December 31

	2019	2018
Operating transactions		
Annual surplus	\$ 38,831,870	\$ 56,215,348
Non-cash items:		
Depreciation	20,142,397	19,034,478
(Gain)/Loss on disposal of tangible capital assets	752,150	(8,225,890)
Amortization of other assets	49,631	53,835
Contributed tangible capital assets	(1,248,066)	(1,564,346)
Changes in non-cash assets and liabilities	<u>21,001,721</u>	<u>1,632,297</u>
Cash provided by operating transactions	79,529,703	67,145,722
Capital transactions		
Proceeds on sale of tangible capital assets	163,217	9,020,839
Cash used to acquire tangible capital assets	<u>(46,729,143)</u>	<u>(42,505,537)</u>
Cash applied to capital transactions	(46,565,926)	(33,484,698)
Investing transactions		
Net change in investments	<u>3,553,192</u>	<u>(22,648,960)</u>
Cash provided (used) by investing transactions	3,553,192	(22,648,960)
Financing transactions		
Debt repayment	<u>(2,096,988)</u>	<u>(2,790,248)</u>
Cash applied to financing transactions	(2,096,988)	(2,790,248)
Increase in cash and cash equivalents	34,419,981	8,221,816
Cash and cash equivalents, beginning of year	<u>28,090,065</u>	<u>19,868,249</u>
Cash and cash equivalents, end of year	<u>\$ 62,510,046</u>	<u>\$ 28,090,065</u>

**The Corporation of the District of North Vancouver
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31**

	2019 Budget (Note 16)	2019	2018
Annual surplus	\$ 78,777,903	\$ 38,831,870	\$ 56,215,348
Contributed tangible capital assets (Note 10(a))	-	(1,248,066)	(1,564,346)
Acquisition of tangible capital assets	(61,279,034)	(46,729,143)	(42,505,537)
Depreciation of tangible capital assets	-	20,142,397	19,034,478
(Gain)/Loss on disposal of tangible capital assets	-	752,150	(8,225,890)
Proceeds on disposal of tangible capital assets	-	163,217	9,020,839
	<u>(61,279,034)</u>	<u>(26,919,445)</u>	<u>(24,240,456)</u>
Amortization of other assets	-	49,631	53,835
Acquisition of other assets	-	(0)	(15,000)
Acquisition of inventories held for consumption	-	(1,204,643)	(1,194,520)
Acquisition of prepaid expenses	-	(1,334,128)	(1,157,740)
Use of inventories held for consumption	-	1,194,520	1,046,858
Use of prepaid expenses	-	1,157,740	1,229,876
	<u>-</u>	<u>(136,880)</u>	<u>(36,691)</u>
Change in net financial assets	<u>\$ 17,498,869</u>	11,775,545	31,938,201
Net financial assets, beginning of year		<u>139,686,490</u>	<u>107,748,289</u>
Net financial assets, end of year		<u>\$ 151,462,035</u>	<u>\$ 139,686,490</u>

The Corporation of the District of North Vancouver

Notes to Consolidated Financial Statements

December 31, 2019

The Corporation of the District of North Vancouver (the District) was incorporated in 1891 and operates under the provision of the Community Charter and the Local Government Act of British Columbia. The District's principal activities include the provision of local government services to residents and businesses of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water and sewer services.

1. Significant accounting policies

a) Basis of presentation

The consolidated financial statements have been prepared in accordance with the Canadian public sector accounting standards.

b) Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and changes in net financial assets of the reporting entity.

The reporting entity is comprised of all organizations that are controlled by the District. The financial statements reflect the consolidation of the District's funds with the financial position and results of operations of the District of North Vancouver Municipal Public Library and the District's proportionate interest in the North Vancouver Recreation & Culture Commission, North Vancouver Museum and Archives Commission, and North Shore Emergency Management Office. Inter-fund balances and transactions have been eliminated on consolidation.

c) Segment disclosures

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. Consolidated financial statements report financial activities by major service. Segment disclosures provide information on the District's services delivered by department.

d) Revenue recognition

Revenue is recorded on the accrual basis and is recognized when it is earned. Unearned revenue is reported on the consolidated statement of financial position as either deferred revenue or deposits and other liabilities. Property tax revenue is recognized on the accrual basis using approved tax rates and the tax class assessments related to the each year.

e) Expense recognition

Expenses are recognized on an accrual basis by the receipt of goods and services or the creation of an obligation to pay.

f) Fund accounting

Funds within the consolidated financial statements consist of operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance. All interfund assets and liabilities and financial operations have been eliminated in the consolidated financial statements. The funds consist of the following:

i) Operating fund

These funds include the General, Water and Sewer Operating funds as well as the operating fund of the District of North Vancouver Municipal Public Library and the District's interest in the operating fund of the North Vancouver Recreation & Culture Commission, North Vancouver Museum and Archives Commission, and North Shore Emergency Management Office. They are used to record the consolidated operating assets, liabilities, revenue and expenses of the District.

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

f) Fund accounting, continued

ii) Capital fund

These funds include the General, Water and Sewer Capital funds as well as the Capital fund of the District of North Vancouver Municipal Public Library. They are used to record the acquisition and construction costs of tangible capital assets and any related debt outstanding.

iii) Reserve fund

Under the Community Charter of British Columbia, Council may, by bylaw, establish reserve funds for specified purposes. Money in a reserve fund, and interest earned thereon, must be expended only for the purpose for which the fund was established or as is otherwise permitted by the Community Charter.

g) Other taxing jurisdictions

The assets, liabilities, taxation, other revenue and expenses with respect to the operations of other taxing jurisdictions including the provincial school system and the Metro Vancouver Regional District are not reflected in these consolidated financial statements.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash, highly liquid money market investments and short-term investments with maturities of less than 90 days from the date of acquisition.

i) Investments

Investments are recorded at cost plus accrued interest receivable and net of amortized discounts or premiums.

j) Inventories held for resale

Inventories held for resale are valued at the lower of cost or net realizable value. Cost is determined on a weighted average basis.

k) Restricted revenue

Revenues which are restricted by the legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenue. When qualifying expenses are incurred, restricted revenue is recognized as revenue at amounts equal to the qualifying expenses.

l) Deferred revenue

Revenues received in advance of services to be provided are deferred until they are earned by the provision of those services.

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 have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. They include prepaid expenses, inventories held for consumption, tangible capital assets and other assets.

i) Inventories held for consumption

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost. Cost is determined on a weighted average basis.

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

m) Non-financial assets, continued

ii) Tangible capital assets

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

<u>Asset Category</u>	<u>Useful Lives (Years)</u>
Land improvements	5 - 100
Buildings and building improvements	15 - 40
Vehicles	3 - 25
Furniture and equipment	2 - 30
Water and waste water infrastructure	15 - 100
Road infrastructure	
- Base	75
- Surface	16 - 80
- Other infrastructure	12 - 100
Library Collection	2 - 10

Assets under construction are not depreciated until the asset is placed in service.

a) Contributions of tangible capital assets

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

b) Natural resources

Natural resources are not recognized as assets in these consolidated financial statements.

c) Works of art and historic assets

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

d) 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.

iii) Other assets

Commissions, free rent and lease inducements are deferred and amortized over the first term of the lease agreement, which is typically five years. Any expenses related to a tenant that vacates prior to the end of their lease are written off immediately.

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

1. Significant accounting policies, continued

n) Capitalization of interest

Interest is capitalized whenever external debt is issued to finance the construction of assets. When internal funds are utilized as an interim measure prior to issuing the authorized debt, interest is capitalized based on a weighted average cost of borrowing.

o) Contaminated Sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

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

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. As at December 31, 2019, no liability for contaminated sites was recognized.

p) Government Transfers

Government transfers that are restricted are deferred and recognized as revenue as the related expenditures are incurred or the stipulations in the related agreements are met. Unrestricted transfers are recognized as revenue when received or if the amount to be received can be reasonably estimated and collection is reasonably assured.

q) Post-employment benefits

Post-employment benefits also accrue to the District's employees. The liabilities related to these benefits are actuarially determined based on the service and best estimates of retirement ages and expected future salary and wages increases. The liabilities under these benefits plans are accrued based on projected benefits prorated as employees render services necessary to earn the future benefits.

r) Pension fund

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

s) Use of accounting estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of post-employment benefits, allowance for doubtful accounts receivable, useful lives of tangible capital assets, and provision for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in the consolidated financial statements in the year that the change in estimate is made, as well as in the year of settlement if the amount is different.

t) Related parties

Transactions of all organizations that are controlled by the District are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

2. Cash and cash equivalents

	2019	2018
Cash	\$ 10,757,291	\$ 12,799,727
Business Investment Savings Account	1,342,835	1,326,162
MFA Pooled High Interest Saving	50,409,920	13,964,176
	<u>\$ 62,510,046</u>	<u>\$ 28,090,065</u>

3. Due from governments

	2019	2018
Due from Federal Government	\$ 1,084,102	\$ 2,253,041
Due from Provincial Government	926,935	1,520,916
Due from Regional Government	2,161,574	923,107
	<u>\$ 4,172,611</u>	<u>\$ 4,697,064</u>

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

4. Investments

	<u>2019</u>	<u>2018</u>
Investments consist of:		
(average rate of return 2.73% (2018 - 2.35%))		
Municipal Finance Authority	\$ 436,407	\$ 428,434
Bank and Credit Union notes & deposits	239,883,888	243,472,329
Provincial Government Notes	9,878,457	9,851,181
	<u>\$ 250,198,752</u>	<u>\$ 253,751,944</u>

5. Due to governments

	<u>2019</u>	<u>2018</u>
Due to Federal Government		
RCMP police contract	\$ 8,961,942	\$ 7,830,086
Other	31,073	22,662
	<u>8,993,015</u>	<u>7,852,748</u>
Due to Provincial Government		
Taxes collected on behalf of other jurisdictions	990,694	822,010
Ministry of Transportation & Infrastructure Capital Project	625,423	-
Payroll liability	99,002	128,396
Other	8,472	46,719
	<u>1,723,591</u>	<u>997,125</u>
Due to Regional Governments		
Metro Vancouver	3,773,494	3,455,155
Due to partner organizations	2,464,207	2,353,685
School District No. 44	2,217,559	49,410
District of West Vancouver	1,436,154	1,032,466
City of North Vancouver	1,186,747	648,567
DCC collected on behalf of other jurisdictions	707,036	58,096
Taxes collected on behalf of other jurisdictions	45,637	68,223
Other	23,364	2,756
	<u>11,854,198</u>	<u>7,668,358</u>
	<u>\$ 22,570,804</u>	<u>\$ 16,518,231</u>

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

6. Restricted revenue

(a) Restricted revenue are comprised mainly of Development Cost Charges (DCC) that are collected to pay for the general capital and utility expenses due to development. In accordance with the Community Charter, these funds are deposited into separate accounts. When the related expenses are incurred, the Development Cost Charges are then recognized as revenue.

	<u>2019</u>	<u>2018</u>
Development cost charges (1)		
Water	\$ 2,676,969	\$ 1,328,548
Sewer	3,801,379	2,184,257
Drainage	1,900,082	879,126
Roads	7,096,993	2,918,899
Parks	11,950,016	10,241,982
	<u>27,425,439</u>	<u>17,552,812</u>
Restricted donations and other	3,663,627	3,379,373
Community amenity contribution	505,865	492,422
Developer parkland reserve contributions	285,358	277,775
	<u>\$ 31,880,289</u>	<u>\$ 21,702,382</u>

(1) Development cost charges:

In accordance with section 569 of the Local Government Act, 2019 Annual Development Cost Charges include the following, reported for each purpose under section 559 (2) and (3) for which the local government imposes the Development Cost Charges in the applicable year:

- i. The amount of development cost charges received;
- ii. The expenditures from the development cost charge reserve funds;
- iii. The balance in the development cost charge reserve fund at the start and at the end of the applicable year;
- iv. Any waivers and reductions under section 533 (2).

	<u>Water</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Roads</u>	<u>Parks</u>	<u>Total</u>
Balance, Beginning of year	\$ 1,328,548	2,184,257	879,126	2,918,899	10,241,982	\$17,552,812
Add:						
Interest Income	53,939	80,604	37,425	134,876	298,842	605,686
Dev Cost Charges collected	2,149,018	1,621,021	1,368,425	4,337,403	2,374,637	11,850,504
Deduct:						
Acquisition of tangible capital assets	854,536	84,502	384,894	294,185	965,445	2,583,562
Balance, End of year	<u>\$ 2,676,969</u>	<u>3,801,379</u>	<u>1,900,082</u>	<u>7,096,993</u>	<u>11,195,016</u>	<u>\$27,425,439</u>
DCC Waivers in 2019 (Bylaw 8328)	\$ 325,077	161,024	93,449	873,385	676,990	\$ 2,129,925

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

7. Deferred revenue

	2019	2018
Prepaid taxes	\$ 16,748,217	\$ 16,302,987
Contributions for future use	2,069,286	2,288,233
Memberships, fees and other revenue	6,215,943	5,096,317
	<u>\$ 25,033,446</u>	<u>\$ 23,687,537</u>

8. Debt

The District finances certain tangible capital asset acquisitions through the Municipal Finance Authority in accordance with the Community Charter. The District makes payments to sinking funds related to its debt. Sinking fund balances, managed by the Municipal Finance Authority, are netted against related debt.

	Gross Amount Borrowed	Repayments and Actuarial Adjustments	Net Debt 2019	Net Debt 2018
General Capital Fund	\$ 47,745,000	\$ 12,808,127	\$ 34,936,873	\$ 37,033,861

Repayments on net outstanding debt over the next five years and thereafter are as follows:

<u>Year</u>	
2020	\$ 2,138,396
2021	2,218,250
2022	2,301,101
2023	2,387,060
2024	2,476,244
Thereafter	23,415,822
	<u>\$ 34,936,873</u>

The District paid \$1,108,563 (2018 - \$1,615,058) in interest on long-term debt during the year. Interest rates on debt range from 2.20% to 3.30%.

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

9. Post-employment benefits

As per the terms of the various collective agreements and compensation policies, the District provides its employees with sick days and certain employee benefits on termination and retirement. These include service severance pay based on years of service and a full year's vacation entitlement in the year of retirement.

The District uses an actuarial valuation to determine the estimated value of post-employment benefits. The most recent full actuarial valuation was completed as at December 31, 2017 and has been updated to December 31, 2019.

Accrued benefit obligation:	2019	2018
Balance, beginning of year	\$ 10,373,368	\$ 10,805,903
Current service cost	891,740	889,873
Interest cost	341,436	318,601
Benefits paid	(944,739)	(742,468)
Actuarial (gain) loss	138,234	(898,541)
Balance, end of year	\$ 10,800,039	\$ 10,373,368

Actuarial gains and losses are amortized over 8 - 10 years, being the expected average remaining service period of the related employee group, commencing the year after the gain or loss arises.

	2019	2018
Accrued benefit obligation balance, end of year	\$ 10,800,039	\$ 10,373,368
Unamortized actuarial gain	280,971	379,772
Other employee benefit liabilities	52,350	77,400
Accrued benefit liability, end of year	\$ 11,133,360	\$ 10,830,540

The significant actuarial assumptions used in estimating the District's accrued benefit obligation are as follows:

	2019	2018
Discount rate	2.70%	3.20%
Expected future inflation rates	2.50%	2.50%
Expected wage increases	2.58 - 4.63%	2.58 - 4.63%

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

10. Tangible capital assets

Cost	Balance at December 31, 2018	Additions, net of transfers	Disposals	Balance at December 31, 2019
Land and improvements	\$ 192,012,078	\$ 12,690,547	(649,882)	\$ 204,052,743
Buildings	198,373,719	440,630	-	198,814,349
Furniture, Equipment and vehicles	45,568,497	5,091,543	(1,721,152)	48,938,888
Roads	242,526,437	6,099,051	(2,666,977)	245,958,511
Water	135,950,391	7,918,547	(248,857)	143,620,081
Sewer	67,410,379	4,112,400	(3,604)	71,519,175
Drainage	114,470,752	2,731,595	(54,332)	117,148,015
Library Collection	4,456,541	588,857	(539,706)	4,505,692
Assets Under Construction	16,746,406	8,304,039		25,050,445
Total	\$ 1,017,515,200	\$ 47,977,209	\$ (5,884,510)	\$ 1,059,607,899

Accumulated depreciation	Balance at December 31, 2018	Depreciation for the year	Disposals	Balance at December 31, 2019
Land and improvements	\$ 36,609,801	\$ 2,041,113	(647,363)	\$ 38,003,551
Buildings	74,791,530	4,737,182	-	79,528,712
Furniture, Equipment and vehicles	24,815,427	3,197,502	(1,613,882)	26,399,047
Roads	102,806,861	5,861,401	(1,972,141)	106,696,121
Water	28,339,648	1,552,952	(242,004)	29,650,596
Sewer	29,581,530	979,720	(2,214)	30,559,036
Drainage	42,457,164	1,394,998	(48,110)	43,804,052
Library Collection	2,943,418	377,529	(443,429)	2,877,518
Total	\$ 342,345,379	\$ 20,142,397	\$ (4,969,143)	\$ 357,518,633

	Net book value, December 31, 2018	Net book value, December 31, 2019
Land and improvements	\$ 155,402,277	\$ 166,049,192
Buildings	123,582,189	119,285,637
Furniture, Equipment and vehicles	20,753,070	22,539,841
Roads	139,719,576	139,262,390
Water	107,610,743	113,969,485
Sewer	37,828,849	40,960,139
Drainage	72,013,588	73,343,963
Library Collection	1,513,123	1,628,174
Assets Under Construction	16,746,406	25,050,445
Total	\$ 675,169,821	\$ 702,089,266

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

10. Tangible capital assets, continued

a) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is as follows:

	2019	2018
Land	\$ 184,290	\$ 1,059,770
Roads	372,806	479,476
Water	321,623	3,500
Sewer	169,120	-
Drainage	200,227	21,600
	<u>\$ 1,248,066</u>	<u>\$ 1,564,346</u>

b) Tangible capital assets disclosed at nominal value

Where an estimate of fair value can not be made, the tangible capital asset is recognized at a nominal value.

c) Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$nil (2018 - \$nil).

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

11. Accumulated surplus

a) Reserves are comprised of the following:

	2019	2018
Operating and Risk Management:		
Assessment appeal and property tax	\$ 10,530,991	\$ 7,281,637
Development stabilization	7,140,126	6,600,133
General municipal operations	4,933,366	4,586,664
Human resources	802,768	1,155,030
Insurance	1,188,657	1,037,327
Operating projects in progress (future expenditures)	2,112,818	2,571,643
Protective services	2,375,608	3,022,514
Working capital	1,842,162	2,642,162
Partner Organizations:		
District of North Vancouver Municipal Public Library	121,021	268,548
North Vancouver Recreation & Culture Commission	100,005	98,005
North Vancouver Museum and Archives	38,662	36,002
North Shore Emergency Management Office	45,595	74,543
	<u>31,231,779</u>	<u>29,474,208</u>
Capital Renewal and Rate Stabilization:		
Infrastructure replacement	34,383,507	32,457,566
Equipment replacement	3,955,669	4,336,039
Public golf	1,220,425	1,085,791
Recycling and solid waste utility	4,139,710	3,099,766
Sewer and drainage utility	25,935,071	22,664,536
Water utility	9,467,099	9,030,216
	<u>79,101,481</u>	<u>72,673,914</u>
New Capital and Growth Management:		
Community amenity contributions	16,568,411	10,880,984
Other development contributions	489,251	387,876
Local improvement	4,110,506	4,001,271
New capital and innovation	2,028,899	599,992
Public art	272,005	309,236
Recreation Reserve	4,099,682	4,124,968
Trails and traffic management	153,257	149,184
	<u>27,722,011</u>	<u>20,453,511</u>
Land and Housing:		
Land opportunity	4,575,060	5,893,022
Housing	5,696,701	2,611,750
	<u>10,271,761</u>	<u>8,504,772</u>
b) Capital projects in progress:		
Land and improvements	5,149,932	15,771,561
Buildings	17,618,829	12,480,658
Furniture, equipment and vehicle	8,411,361	7,282,767
Roads	2,026,733	2,349,969
Water	-	500,062
Sewer	1,276,148	1,333,721
Drainage	881,183	3,572,278
Future major repair and maintenance	4,917,650	4,454,006
Other	428,387	369,834
Total capital funds	<u>40,710,223</u>	<u>48,114,856</u>
c) Equity in tangible capital assets:		
Equity in tangible capital assets	667,152,393	638,136,517
Accumulated surplus	<u>\$ 856,189,648</u>	<u>\$ 817,357,778</u>

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

12. Taxation

In addition to levying and collecting property tax for municipal purposes, the District is required to levy and collect taxes on behalf of other jurisdictions.

	2019 Budget	2019 Actual	2018 Actual
	<u> </u>	<u> </u>	<u> </u>
Gross taxes levied on property	\$ 183,538,679	\$ 186,843,738	\$ 179,032,989
Deduct:			
Taxes levied and collected on behalf of other jurisdictions			
Province of B.C. – school taxes	62,039,499	61,906,607	58,775,238
Translink	14,011,298	13,983,856	13,297,299
B.C. Assessment	2,428,923	2,425,436	2,452,688
GVRD	2,357,961	2,354,654	2,345,430
Municipal Finance Authority	11,173	11,156	10,774
	<u>80,848,854</u>	<u>80,681,709</u>	<u>76,881,429</u>
Add:			
Payment in lieu of taxes	5,372,301	5,359,827	4,566,573
Net taxes for municipal purposes	<u>\$ 108,062,126</u>	<u>\$ 111,521,856</u>	<u>\$ 106,718,133</u>

13. Commitments and contingencies

a) Contingent liabilities

As a member of the Metro Vancouver Regional District, the Greater Vancouver Sewerage and Drainage District and the Greater Vancouver Water District, the District is jointly and severally liable for the net capital liabilities of these Districts. Any liability which may arise as a result will be accounted for in the period in which the required payment is made.

b) Municipal Pension Plan

The District and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 917 contributors from the District.

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 Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

13. Commitments and contingencies, continued

b) Municipal Pension Plan, continued

The most recent valuation for the Municipal Pension Plan as of December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2021, with results available in 2022. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the plan.

The District paid \$6,795,673 (2018 - \$6,421,062) for employer contributions to the plan in fiscal 2019.

c) Third party claims and property tax appeals

Several claims have been initiated against the District in varying or unspecified amounts. In addition, several property tax appeals have been filed with BC Assessment and are pending at December 31, 2019. Any amounts payable in addition to the accrued amounts, if any, arising from the claims and the appeals will be recorded in the year in which the amount is determinable. Reserves have been established to fund potential additional unfavourable results.

d) Insurance

In the ordinary course of business, claims are asserted or made against the District, and the District is currently involved in various legal actions. The outcome of these actions cannot be determined at this time. A provision has been made in the accounts for any possible unfavourable outcome of these actions. The amount of any loss in excess of the provision and insurance coverage will be recorded when determinable.

e) Contractual obligations

The District has entered into an agreement with a facility manager to manage a recreational facility for a period of 5 years commencing September 1, 1998 and renewable at the option of the facility manager for further 5-year terms to August 31, 2048. As part of the agreement the District has committed to the payment of 2,800 hours of facility rental for each year ended August 31st. For the year ended December 31, 2019, the District's liability is estimated at \$635,309. For succeeding years, this amount will be adjusted by any change in the Vancouver average all-in consumer price index for the previous year.

f) Municipal Finance Authority demand notes

The District issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the Municipal Finance Authority as a debt reserve deposit. The District also executes demand notes in connection with each debenture whereby the District may be required to lend certain amounts to the Municipal Finance Authority. Demand notes have been executed in the amount of \$1,099,485 (2018 - \$1,099,485). These demand notes are contingent in nature and are therefore not recorded as liabilities.

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

13. Commitments and contingencies, continued

g)E-Comm Emergency Communications for British Columbia Incorporated (“E-Comm”)

The District is a shareholder and member of E-Comm Emergency Communications for British Columbia Incorporated (E-Comm), whose services include: regional 911 call centre for the Greater Vancouver Regional District, Area Wide Radio emergency communications network, dispatch operations and records management. The District holds 1 Class A share and 1 Class B share (of a total 32 Class A and 21 Class B shares issued and outstanding at December 31, 2019). As a Class A shareholder, the District is committed to paying levies for services received under a cost-sharing formula to fund operating and capital costs of the E-Comm operations. In addition, the District is contingently liable to cover its proportionate share of such costs should any member be unable to fulfill its funding obligations. Annual levy amounts fluctuate based on various factors under the cost-sharing formula, and amounted to \$310,415 during 2019 (2018 - \$338,371).

14. Performance deposits

In addition to cash deposits, the District is holding irrevocable Letters of Credit in the amount of \$93,574,827 (2018 - \$38,119,183), which were received from depositors to ensure their performance of works to be undertaken within the District. These amounts are not reflected in these consolidated financial statements.

15. Segment disclosures

District services are provided by departments and their activities are reported in the District's funds as described in Note 1(c). The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

Revenues not directly attributable to a specific segment are included in General Government & Admin.

Amounts shown for operating expenses are the gross amounts including interfund eliminations incurred by departments for all segmented activity.

The segments include the following:

General Government & Admin provides internal support services to Council and other departments who provide direct services to its residents. These internal departments include the City Manager's Office, Corporate Services, Financial service, Information Technology, Legal and Human Resources.

Utility services which are managed by the Engineering department and provide planning, design, construction and maintenance related to the water distribution, sewage collection, drainage, neighbourhood energy utilities and refuse removal services.

Transportation & Engineering provides planning, design, construction and maintenance of the District's streets, street lighting, traffic control, transportation planning, utility and communication corridors and project delivery services.

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

15. Segment disclosures, continued

Protective services includes Police, fire and rescue, natural hazards mitigation, bylaws and emergency management. Emergency Management is a shared service provided by the District of North Vancouver, the District of West Vancouver and the City of North Vancouver.

Community services which includes programs to create sustainable, creative and inclusive communities for living and working. It also includes North Vancouver Museum and Archives Commission (NVMA) and North Vancouver Recreation & Cultural Commission (NVRC) which are shared services provided by the District of North Vancouver and the City of North Vancouver.

Planning and Development which creates plans, programs and policies required for District wide and community planning, zoning and subdivision. It also includes Real Estate and Properties.

Library services includes the District of North Vancouver Municipal Public Library (the "Library") which provides access to reading and information needs, and a free place for everyone to discover, create and share ideas.

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

15. Segment disclosures, continued

	General Government & Admin	Utility Services	Transportation & Engineering	Protective Services	Community Services	Planning & Development	Library Services	Eliminations	2019 Consolidated	2018 Consolidated
Revenues										
Taxation	111,521,856	-	-	-	-	-	-	-	111,521,856	106,718,133
Sales, fees and user charges										
Water	-	28,184,893	-	-	-	-	-	(445,325)	27,739,568	26,852,133
Sewer	-	23,857,056	-	-	-	-	-	(2,846)	23,854,209	23,711,583
Solid waste	-	7,806,047	-	-	-	-	-	(172,702)	7,633,345	7,401,613
Parks, recreation and culture	288	-	-	-	14,332,280	-	235,756	-	14,568,324	13,734,483
Other	17,064,201	1,176,967	875,814	2,060,874	264,567	16,627,352	-	(9,066,704)	29,003,072	32,340,613
Transfers from government	228,024	19,627	1,420,663	825,011	71,784	155,807	6,612,919	(5,210,677)	4,123,156	6,843,568
Investment income	7,939,293	-	-	-	118,090	-	-	(613,269)	7,444,115	5,600,144
Land, sales and other contributions	5,088,172	527,829	9,500	12,967	76,755	-	21,316	916,696	6,653,235	17,563,550
	141,841,834	61,572,419	2,305,977	2,898,852	14,863,476	16,783,159	6,869,991	(14,594,827)	232,540,880	240,765,820
Operating expenses										
Salaries and benefits	13,869,243	7,622,899	7,639,108	21,570,223	23,678,965	9,299,080	4,781,153	-	88,460,671	83,105,011
Goods and materials	1,457,050	1,101,868	1,012,365	202,086	1,270,421	69,206	-	-	5,112,996	4,944,888
Building and grounds	1,408,542	2,757,853	858,512	944,541	3,734,480	216,248	488,514	(627,626)	9,781,064	10,148,947
Equipment costs	(2,129,846)	2,811,563	1,003,471	727,843	1,268,268	208,035	176,634	(9,471)	4,056,497	4,064,716
Service costs	-	-	744,648	-	-	-	-	-	744,648	670,242
Administrative costs	3,523,727	1,799,174	1,062,176	1,268,431	3,725,050	1,097,938	634,654	(29,444)	13,081,706	11,792,935
Contract services	(198,923)	28,735,973	35,126	19,113,411	6,871,079	691,724	44,622	(6,274,336)	49,018,676	47,368,943
Grants	2,000	-	-	10,000	2,078,744	-	-	-	2,090,744	1,833,547
Debt interest	1,219,611	-	-	-	-	-	-	-	1,219,611	1,586,765
	19,151,404	44,829,330	12,355,406	43,836,535	42,627,007	11,582,231	6,125,577	(6,940,877)	173,566,613	165,515,994
Depreciation	6,869,519	4,405,895	5,682,091	288,688	2,391,710	-	504,494	-	20,142,397	19,034,478
	26,020,923	49,235,225	18,037,497	44,125,223	45,018,717	11,582,231	6,630,071	(6,940,877)	193,709,010	184,550,472
Annual (Surplus) Deficit	115,820,911	12,337,194	(15,731,520)	(41,226,371)	(30,155,241)	5,200,928	239,920	(7,653,950)	38,831,870	56,215,348

The Corporation of the District of North Vancouver
Notes to Consolidated Financial Statements
December 31, 2019

16. Budget figures

The operating and capital budget figures, presented on a basis consistent with that used for actual results, were approved by Council as the 2019 - 2023 Financial Plan Approval Bylaw No. 8373. Depreciation was not included on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget
Revenue	
Operating budget	\$ 288,195,253
Capital budget	46,303,221
Total revenue per approved budget	<u>334,498,474</u>
Less:	
Transfers from other funds	(65,630,643)
Capital funding less repair and maintenance	
Inter-agency eliminations	(12,870,550)
Total revenues, as reported	<u>255,997,281</u>
Expenses	
Operating budget	263,333,594
Capital budget	71,164,880
Total expenses per approved budget	<u>334,498,474</u>
Less:	
Transfers to other funds	(94,079,623)
Inter-agency eliminations	(247,346)
Capital expenses, including major repair and maintenance	(71,164,880)
Debt principal repayment	(1,673,093)
Operating repair and maintenance funded as capital expenses	9,885,846
Total expenses as reported	<u>177,219,378</u>
Annual surplus, per Consolidated Statement of Operations	<u>\$ 78,777,903</u>

Council approved an amended budget Bylaw 8413 on November 25, 2019 which decreased approved funding for various capital projects funded from reserves and surplus in the amount of \$19,937,000. This amendment is not reflected in the above.

The Corporation of the District of North Vancouver

Notes to Consolidated Financial Statements

December 31, 2019

17. Contractual rights

The District has entered into contracts or agreements in the normal course of operations that it expects will result in the realization of revenue and assets in future fiscal years. The District's contractual rights arise because of contracts entered into for leases, and various agreements. The following table summarizes the expected revenue from the contractual rights of the District for future assets for the next four years:

	2020	2021	2022	2023	Total
Development Agreements	\$ 22,021,210	\$ 4,883,308	\$ 21,681,275	\$ 364,448	\$ 48,950,241
Leases	2,732,263	1,541,465	1,359,866	820,984	6,454,578
	\$ 24,753,473	\$ 6,424,773	\$ 23,041,141	\$ 1,185,432	\$ 55,404,819

18. Comparative figures

Certain 2019 comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted in the current year.

19. Subsequent event

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This situation presents uncertainty over the District's future cash flows, and may have a significant impact on the District's future operations. In response to the outbreak, the District has temporarily closed some of its facilities. Potential impacts on the District's business could include future decreases in revenue, impairment of investments or reduction in investment income, and delays in completing capital project work. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the District is not practicable at this time.