

District of Ucluelet
Financial Statements
December 31, 2022

District of Ucluelet
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For the year ended December 31, 2022

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Management's Responsibility

The accompanying consolidated financial statements of the District of Ucluelet (the "District") are the responsibility of management and have been prepared in compliance with applicable legislation, and in accordance with generally accepted accounting standards for local governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP; independent external auditors appointed by the District. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the District's consolidated financial statements.

June 27, 2023



Duane Lawrence
Chief Administrative Officer & Finance Officer

To the Mayor and Council of the District of Ucluelet:

Qualified Opinion

We have audited the consolidated financial statements of the District of Ucluelet (the "District"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations, changes in net financial assets and cash flows and related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2022, and the results of its consolidated operations, changes in its net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The District holds an investment in the Barkley Community Forest Limited Partnership. The audited financial statements of the Limited Partnership was not available as at the audit report date and our audit opinion has been qualified as a result. We were unable to determine whether any adjustments to the following line items were necessary as of December 31, 2022: Investment in Government Business Enterprise, Earnings from investment in Government Business Enterprise, annual surplus, and accumulated surplus.

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

Other Information

Management is responsible for the other information, consisting of an annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 District 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 District to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nanaimo, British Columbia

June 27, 2023

MNP LLP

Chartered Professional Accountants

MNP
LLP

District of Ucluelet
Consolidated Statement of Financial Position
As at December 31, 2022

	2022	2021
Financial Assets		
Cash and cash equivalents	\$ 2,244,260	\$ 5,701,168
Investments (Note 2)	11,462,768	8,242,966
Accounts receivable (Note 3)	1,972,170	520,439
Investment in Government Business Enterprise (Note 4)	2,516,852	1,723,371
	\$ 18,196,050	\$ 16,187,944
Financial Liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 803,676	\$ 812,345
Refundable deposits (Note 6)	192,610	221,064
Deferred revenue (Note 7)	2,372,629	2,151,297
Prepaid property taxes and utilities	100,074	75,526
Development cost charges (Note 8)	770,715	1,038,469
Equipment financing (Note 9)	434,044	143,825
Debt (Note 10)	1,653,969	1,754,565
	\$ 6,327,717	\$ 6,197,091
Net Financial Assets	\$ 11,868,333	\$ 9,990,853
Non-Financial Assets		
Tangible capital assets (Note 11, Schedule 1)	\$ 41,156,769	\$ 40,979,160
Inventory of supplies	20,944	20,944
Prepaid expenses	114,643	83,988
	\$ 41,292,356	\$ 41,084,092
Accumulated Surplus (Note 12)	\$ 53,160,689	\$ 51,074,945

Commitments and contingencies (Note 17)



Chief Administrative Officer

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

District of Ucluelet
Consolidated Statement of Operations
For the year ended December 31, 2022

	2022 Budget (Note 18)	2022	2021
Revenue			
Taxation, net (Note 14)	\$ 3,949,711	\$ 3,952,968	\$ 3,426,783
Sale of services	2,147,463	2,171,429	1,838,444
Other revenue from own sources	-	389,791	372,999
Investment income	85,300	162,587	48,562
Grants and contributions	5,091,713	1,532,055	1,061,452
DCC revenue	940,056	379,769	-
Ministry and Regional District Tax	484,000	740,359	545,737
Earnings from Investment in Government Business Enterprise (Note 4)	-	1,160,481	985,066
	\$ 12,698,243	\$ 10,489,439	\$ 8,279,043
Expenses			
General government services	\$ 3,150,038	\$ 1,538,222	\$ 1,278,282
Protective services	403,648	748,273	564,529
Transportation services	1,113,551	1,562,875	1,432,303
Planning and environmental services	754,902	382,442	452,855
Recreation and cultural services	1,847,636	2,628,959	2,316,108
Water utility	950,583	870,715	709,383
Sewer utility	633,462	672,209	711,467
	\$ 8,853,820	\$ 8,403,695	\$ 7,464,927
Annual surplus	3,844,423	2,085,744	814,116
Accumulated surplus, Beginning of the year	51,074,945	51,074,945	50,260,829
Accumulated surplus, End of the year	\$ 54,919,368	\$ 53,160,689	\$ 51,074,945

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

District of Ucluelet
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2022

	<i>2022 Budget (Note 18)</i>	2022	<i>2021</i>
Annual surplus	\$ 3,844,423	\$ 2,085,744	\$ 814,116
Acquisition of tangible capital assets	(8,281,516)	(1,467,998)	(1,014,296)
Loss on disposal of tangible capital assets	-	-	113
Amortization of tangible capital assets	1,168,995	1,290,391	1,300,714
Change in prepaid expenses	-	(30,655)	(17,980)
Increase (decrease) in Net Financial Assets	(3,268,098)	1,877,482	1,082,667
Net Financial Assets, Beginning of the year	9,990,853	9,990,853	8,908,186
Net Financial Assets, End of the year	\$ 6,722,755	\$ 11,868,335	\$ 9,990,853

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

District of Ucluelet
Consolidated Statement of Cash Flows
For the year ended December 31, 2022

	2022	2021
<hr/>		
Operating Transactions		
Annual surplus	\$ 2,085,744	\$ 814,116
Non-cash items included in surplus:		
Amortization of tangible capital assets	1,290,391	1,300,714
Loss on disposal of tangible capital assets	-	113
Earnings from investment in Government Business Enterprise	(1,160,481)	(985,066)
Actuarial adjustment on debt	(22,861)	(22,169)
	<hr/>	<hr/>
	\$ 2,192,793	\$ 1,107,708
Change in non-cash working capital balances related to operations		
Accounts receivable	\$ (1,451,731)	\$ 196,196
Accounts payable and accrued liabilities	(8,670)	(877,314)
Refundable deposits	(28,455)	123,564
Deferred revenue	221,332	1,072,877
Prepaid property taxes and utilities	24,548	6,436
Development cost charges	(267,755)	213,526
Prepaid expenses	(30,655)	(17,980)
	<hr/>	<hr/>
Cash provided by operating transactions	\$ 651,407	\$ 1,825,013
<hr/>		
Capital Transactions		
Acquisition of tangible capital assets	\$ (1,467,998)	\$ (1,014,296)
<hr/>		
Investment Transactions		
Decrease (increase) in investments	\$ (3,219,802)	\$ (34,224)
Dividends received from Government Business Enterprise	367,000	-
	<hr/>	<hr/>
	(2,852,802)	(34,224)
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Financing activities		
Proceeds from equipment financing	\$ 350,000	\$ -
Debt repaid	(137,515)	(112,300)
	<hr/>	<hr/>
	\$ 212,485	\$ (112,300)
<hr/>		
Net change in cash and cash equivalents	(3,456,908)	664,193
Cash and cash equivalents, Beginning of the year	5,701,168	5,036,975
	<hr/>	<hr/>
Cash and cash equivalents, End of the year	\$ 2,244,260	\$ 5,701,168

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

The District of Ucluelet (the “District”) is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. The District’s principal activities include the provision of local government services to residents of the incorporated area.

1. Significant accounting policies

The consolidated financial statements of the District are prepared by management in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the District are as follows:

(a) Reporting entity

The consolidated financial statements reflect the combination of all the assets, liabilities, revenues, expenses, and accumulated surplus of the District. Inter-departmental balances and transactions have been eliminated.

The District’s business partnerships, jointly owned and controlled by the District but not dependent on the District for their continuing operations, are included in the consolidated financial statements using the modified equity method.

The modified equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the District. Thus, the District’s investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post-acquisition earnings and decreased by post acquisition losses and distributions received.

Entities accounted for by the modified equity basis include:

- Barkley Community Forest Limited Partnership (50% ownership)
- Ucluelet Economic Development Corporation (wholly owned)

The District administers certain trust assets on behalf of external parties which are excluded from the financial statements.

(b) Basis of presentation

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability.

(d) Property tax revenue

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

(e) Deferred revenue

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

1. Significant accounting policies (continued)

(f) **Development cost charges**

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

(g) **Cash and cash equivalents**

Cash and cash equivalents include short-term, highly liquid investments with a term to maturity of 90 days or less at acquisition.

(h) **Deposits and repayments**

Receipts restricted by third parties are deferred and recorded as deposits and are refundable under certain circumstances. Deposits and prepayments are recognized as revenue when qualifying expenditures are incurred.

(i) **Employee future benefits**

The District and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Sick leave and other benefits are available to the District's employees. The costs of these benefits are estimated based on accumulated sick leave and best estimates of future usage and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(j) **Investment income**

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue, development cost charges and deposits and prepayments is added to the investment and forms part of the liability balance.

(k) **Debt**

Debt is recorded net of related payments and actuarial earnings.

(l) **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.

a. **Tangible capital assets**

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

Asset	Useful life - years
Buildings	10 - 60
Vehicles and Equipment	5 - 25
Other structures	15 - 50
Roads	20 - 60
Drainage structures	30 - 50
Water structures	10 - 50
Sewer structures	10 - 50

1. Significant accounting policies (continued)

Amortization is charged annually, including the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the District's ability to provide goods and services or when the value of the future economic benefits associated with the asset are less than the book value of the asset.

- b. Contributions of tangible capital assets
Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are recorded as revenue.
- c. Natural resources
Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.
- d. Works of art and cultural historic assets
Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.
- e. Interest capitalization
The District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.
- f. Leased tangible capital assets
Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as operating leases and the related payments are charged to expenses as incurred.
- g. Inventory of supplies
Inventory of supplies held for consumption are recorded at lower of cost and replacement cost.

(m) Contaminated sites

A liability for remediation of contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the District is either directly responsible or accepts the responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2022.

At each financial reporting date, the District reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when made. As at December 31, 2022, the District has not recorded any liability for contaminated sites as no such sites exist.

(n) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the collectability of accounts receivable, accrued liabilities, employee future benefits, provisions for contingencies and amortization, useful lives, and salvage values for determining tangible capital asset values. Actual results could differ from these estimates.

(o) Recent accounting pronouncements

PS 3280 Asset Retirement Obligations, issued August 2018, establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets and is effective for the District as of January 1, 2023. A liability will be recognized when, as at the financial reporting date:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Statement of Operations.

Management is in the process of assessing the impact of adopting this standard on the District's financial results.

2. Investments

Investments include funds invested in Guaranteed Investment Certificates and Money Market funds with CIBC Wood Gundy and the Municipal Finance Authority of B.C. The investments are carried at market value which is equal to the carrying value.

3. Accounts receivable

	2022	2021
Property taxes	\$ 342,898	\$ 147,796
Due from other governments	250,428	39,425
User fee and other	1,378,844	333,218
	\$ 1,972,170	\$ 520,439

4. Investment in Government Business Enterprise

The Barkley Community Forest Limited Partnership is a limited partnership owned by the District and Toquaht Nation as limited partners and Barkley Community Forest Corporation as the general partner. The objective and purpose of the partnership is to hold one or more Community Forest Agreements and to carry on such business and activities as may be desirable and permitted under the Community Forest Agreements.

The following table provides condensed supplementary financial information for the limited partnership at December 31, 2022.

	2022	2021
Financial position		
Assets	\$ 6,224,737	\$ 4,519,020
Liabilities		
Current	\$ 631,950	\$ 600,746
Silviculture accrual	559,082	471,532
	1,191,032	1,072,278
Equity		
Retained earnings	5,033,705	3,446,742
	\$ 6,224,737	\$ 4,519,020
Operations		
Revenue	\$ 2,700,927	\$ 2,588,909
Expenses	379,965	618,778
	\$ 2,320,962	\$ 1,970,131

The District's share of income from the government business enterprise was a total of \$1,160,481 (2021 - \$985,066). During 2022, the District received \$367,000 (2021 - nil) dividends from the government business enterprise, which was recorded as a reduction in its investment. No other transactions occurred between the two entities.

5. Accounts payable and accrued liabilities

	2022	2021
Trade accounts payable	\$ 522,121	\$ 490,016
Salaries and wages payable	110,748	118,041
Employee future benefits	113,362	112,414
Due to other governments	40,472	74,901
Accrued interest	16,973	16,973
	\$ 803,676	\$ 812,345

6. Refundable deposits

	2022	2021
Damage deposits	\$ 127,850	\$ 113,150
Developer performance deposits	64,760	107,914
	\$ 192,610	\$ 221,064

7. Deferred revenue

Deferred revenue consists of the following balances:

	Opening balance	Interest	Receipts	Revenue Recognized	Ending balance
Resort Municipality Initiative	\$ 1,058,347	\$ 16,565	\$ 211,671	\$ -	\$ 1,286,584
Other	1,092,950	-	12,367	19,271	1,086,046
	<u>\$ 2,151,297</u>	<u>\$ 16,565</u>	<u>\$ 224,038</u>	<u>\$ 19,271</u>	<u>\$ 2,372,629</u>

8. Development cost charges

Development cost charges represent funds received from developers and deposited into a separate fund for capital expenditures. The District records these funds as a liability upon receipt which is then recognized as revenue when the related costs are incurred.

	Opening balance	Interest	Receipts	Revenue recognized	Ending balance
Roads	\$ 121,978	\$ 1,006	\$ 30,756	\$ -	\$ 153,741
Storm water	210,885	1,965	-	144,469	68,381
Sewer	275,525	1,917	15,633	-	244,189
Water	203,441	1,699	32,930	-	238,070
Parks	226,640	2,594	23,515	235,300	66,334
	<u>\$ 1,038,469</u>	<u>\$ 9,181</u>	<u>\$ 102,834</u>	<u>\$ 379,769</u>	<u>\$ 770,715</u>

9. Equipment financing

The District is party to two equipment loan financed through the Municipal Finance Authority for the acquisition of vehicles. The loans have a term of five years and bear interest at a rate of 1.525% and 2.11%. The vehicles under this loan have a carrying value of \$150,399 (2021 - \$166,771) and are recorded as non-financial assets in the consolidated financial statements.

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

2023	\$	104,066
2024		100,892
2025		90,043
2026		68,329
2027		70,714

10. Debt

The District obtains debenture debt through the Municipal Finance Authority (MFA), pursuant to security issuing bylaws under authority of the Local Government Act, to finance capital expenditures.

	Interest Rate	Original Amount	Repayments and actuarial earnings	Balance 2022	Balance 2021
MFA issue 1074	2.90%	\$ 1,948,000	\$ 633,440	\$ 1,314,560	\$ 1,386,411
MFA issue 1195	2.65%	475,000	135,591	339,409	368,154
		\$ 2,423,000	\$ 769,031	\$ 1,653,969	\$ 1,754,565

As a condition of the borrowing through MFA, a portion of the debenture proceeds is retained by the MFA as a debt reserve fund. As at December 31, 2022, the cash balance of the District's debt reserve funds was \$31,465 (2021 - \$30,778). Debt reserve funds are not recorded elsewhere in the consolidated financial statements.

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

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

2023	\$	77,734
2024		77,734
2025		77,734
2026		77,734
2027		77,734

Interest paid during the year was \$41,936 (2021 - \$76,610).

11. Tangible capital assets

(a) Contributed tangible capital assets

Contributed tangible capital assets of nil (2021 – nil) were recognized during the year.

(b) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset has been recognized at a nominal value.

(c) Write-down of tangible capital assets

No write-down of tangible capital assets occurred during the year.

(d) Work in progress

During the year there were net transfers from work in progress of \$219,997 (2021 - \$3,348,700). Amortization of work in progress commences in the year the asset is transferred to tangible capital assets and is put into service.

12. Accumulated surplus

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

	2022		2021
Investment in tangible capital assets	\$ 39,068,757	\$	39,080,774
Reserves (Note 13)	6,898,234		6,258,399
Unrestricted surplus	7,193,698		5,735,722
	\$ 53,160,689	\$	51,074,945

13. Community Works Fund and COVID-19 Safe Restart Fund

The Community Works Fund (Gas Tax) is provided by the Government of Canada. The use of the funding is established by a funding agreement between the District and the Union of British Columbia Municipalities. Gas Tax funding may be used toward designated public transit, community energy, water, wastewater, solid waste, and capacity building projects, as specified in the funding agreements.

	2022		2021
Opening balance of unspent funding	\$ 1,279,120	\$	1,250,929
Add: funding received during the year	133,449		260,800
Add: interest	18,546		5,196
Less: amount spent on projects	(49,067)		(237,885)
	\$ 1,382,048	\$	1,279,120

The COVID-19 Safe Restart Grant for Local Governments was provided to local governments to assist with the increased operating costs and revenue short-falls as a result of the COVID-19 pandemic. The COVID-19 Safe Restart Grant may be used towards specific eligible costs for funding such as addressing revenue short-falls, facility reopening and operating costs, emergency planning and response costs, bylaw enforcement and protective services, computer and other technology costs, and services for vulnerable persons.

The District of Ucluelet received \$764,000 in COVID-19 Safe Restart Grant in 2020 and reports the balance in a reserve fund until it is used to fund eligible costs.

	2022		2021
Opening balance of unspent funding	\$ 324,706	\$	550,514
Add: funding received during the year	-		-
Add: interest	3,160		1,797
Less: amount spent on projects			
Lost recreation and other revenue	204,210		141,058
Temporary part-time janitor	-		14,660
RCMP reservist/Bylaw officer	-		37,888
Temporary sanitation labourer	-		33,999
	\$ 123,656	\$	324,706

13. Taxation

Taxation revenue, reported on the consolidated statement of operations, is comprised of the following:

	2022	2021
Municipal purposes		
General	\$ 3,603,249	\$ 3,083,572
Utility	46,114	46,114
Parcel taxes	244,860	244,695
Grants in lieu of taxes	58,745	52,402
	3,952,968	3,426,783
Taxes levied for other authorities		
School authorities	1,773,376	1,552,895
RCMP	199,724	180,265
Regional Hospital	183,149	171,241
Regional District	445,242	381,216
BC Assessment Authority	46,024	37,954
Vancouver Island Regional Library	133,373	122,169
Municipal Finance Authority	249	178
	2,781,137	2,448,918
Total taxes collected	\$ 6,734,105	\$ 5,872,701

14. Trust funds

Trust funds administered by the District have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations. The District holds trust funds under British Columbia law for the purposes of maintaining a public cemetery.

	2022	2021
Opening balance	\$ 26,327	\$ 26,267
Funds used	(22,686)	
Interest earned	-	60
Ending balance	\$ 3,641	\$ 26,327

15. 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, 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.

15. Pension plan (continued)

The District paid \$219,697 (2021 - \$207,974) for employer contributions to the plan in fiscal 2022.

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

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

16. Commitments and contingencies

- (a) Debt incurred by the District is issued by the Alberni Clayoquot Regional District (ACRD), under provisions of the Local Government Act, is a direct, joint and several liability of the ACRD and each member municipality within the ACRD, including the District.
- (b) In the normal course of a year, claims for damages are made against the District. The District records an accrual in respect to legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The District is self-insured for general liability claims through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$5,000. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with the other participants, would be required to contribute towards the deficit.
- (c) The District has entered into two agreements during the year. Under the terms of these contracts, the District is committed to costs of \$1,000,000 related to Amphitrite Point work and \$1,138,000 related to the Village Green revitalization project.

17. Budget

The budget presented in these consolidated financial statements includes both operating and capital budgets. The District of Ucluelet budget was approved by Council on April 26, 2022, with the adoption of the Five-Year Financial Plan (2022 – 2026) Bylaw No 1307, 2022. The chart below reconciles the approved budget to the budget figures reported in these financial statements. Cemetery expenses are included in the budget but excluded from the annual surplus because these funds are held in trust and not reported in the consolidated financial statements of the District (Note 15).

	2022 Budget
Consolidated Budgeted Surplus, per District of Ucluelet Financial Plan Bylaw 1307	\$ -
Add	
Acquisition of tangible capital assets	8,281,516
Debt repayment	140,564
Transfers to reserves	1,122,406
Net cemetery expenses	(9,566)
Less	
Proceeds of borrowing	(350,000)
Transfers from reserves	(4,171,502)
Amortization	(1,168,995)
Consolidated Budgeted Deficit, per Consolidated Statement of Operations	\$ 3,844,423

18. Segmented information

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

General government services

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

Protective services

Protective services are comprised of three different functions, including the District's emergency management agency, fire, and regulatory services. The emergency management agency prepares the District to be more prepared and can respond to, recover from, and be aware of, the devastating effects of a disaster or major catastrophic event that will impact the community. The fire department is responsible for providing critical, life-saving services in preventing or minimizing the loss of life and property from fire and natural or man-made emergencies. The mandate of the regulatory services function is to promote, facilitate and enforce general compliance with the provisions of bylaws that pertain to the health, safety and welfare of the community and provide a full range of planning services related to zoning, development permits, variance permits, and current regulatory issues.

Transportation services

Transportation services is responsible for a wide variety of transportation functions such as roads and streets. As well, services are provided around infrastructure, transportation planning, pedestrian and cycling issues, harbour facilities, and on-street parking regulations, including street signs and painting.

Planning and environmental services

Planning works to achieve the District's community planning goals through the official community plan, and other policy initiatives. Environmental services were established to assist the Emergency, Planning, Public Works, and Recreation Departments with programs associated with the maintenance or improvement of the natural ecosystem.

Recreation and cultural services

Parks is responsible for the maintenance and development of all park facilities. Cultural services facilitate the provision of recreation and wellness programs and services.

Water and Sewer utilities

The water and sewer utilities operate and distribute the water and sewer networks. They are responsible for the construction and maintenance of the water and sewer distribution systems, including mains and pump stations.

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. Taxation revenue is recognized as general government revenue and has not been allocated to other segments.

Schedule 1

District of Ucluelet
Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2022

2022	Land	Buildings	Vehicles and equipment	Other structures	Roads	Drainage structures	Water structures	Sewer Structures	Work in progress	Total 2022
Cost										
Opening balance	\$ 14,718,568	\$ 11,029,120	\$ 3,420,037	\$ 3,820,424	\$ 8,924,083	\$ 1,609,012	\$ 6,511,551	\$ 11,815,251	\$ 872,943	\$ 62,720,989
Add: Additions	-	39,624	321,717	30,091	-	95,490	9,434	320,465	651,177	1,467,998
Less: Disposals	-	-	-	-	-	-	-	-	-	-
Less: Write-downs	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	9,700	20,539	-	-	189,758	-	(219,997)	-
Closing balance	14,718,568	11,068,744	3,751,454	3,871,054	8,924,083	1,704,502	6,710,743	12,135,716	1,304,123	64,188,987
Accumulated Amortization										
Opening Balance	-	3,311,932	2,271,140	2,336,255	4,440,956	795,281	3,281,129	5,305,136	-	21,741,829
Add: Amortization	-	221,528	141,630	176,171	214,454	38,991	219,363	278,254	-	1,290,391
Less: Write- downs	-	-	-	-	-	-	-	-	-	-
Less: Disposals	-	-	-	-	-	-	-	-	-	-
Ending Balance	-	3,533,460	2,412,770	2,512,426	4,655,410	834,272	3,500,492	5,583,390	-	23,032,220
Net Book Value	\$ 14,718,568	\$ 7,535,284	\$ 1,338,684	\$ 1,358,628	\$ 4,268,673	\$ 870,230	\$ 3,210,251	\$ 6,552,326	\$ 1,304,123	\$ 41,156,769

2021	Land	Buildings	Vehicles and equipment	Other structures	Roads	Drainage structures	Water structures	Sewer Structures	Work in progress	Total 2021
Cost										
Opening balance	\$ 14,718,568	\$ 11,014,552	\$ 3,438,325	\$ 3,674,962	\$ 8,041,384	\$ 1,609,012	\$ 6,218,483	\$ 9,188,270	\$ 3,821,425	\$ 61,724,981
Add: Additions	-	14,568	-	143,887	323,215	-	108,277	24,131	400,218	1,014,296
Less: Disposals	-	-	(18,288)	-	-	-	-	-	-	(18,288)
Less: Write-downs	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	1,575	559,484	-	184,791	2,602,850	(3,348,700)	-
Closing balance	14,718,568	11,029,120	3,420,037	3,820,424	8,924,083	1,609,012	6,511,551	11,815,251	872,943	62,720,989
Accumulated Amortization										
Opening Balance	-	3,082,699	2,137,360	2,166,101	4,227,071	758,697	3,066,289	5,021,073	-	20,459,290
Add: Amortization	-	229,233	151,955	170,154	213,885	36,584	214,840	284,063	-	1,300,714
Less: Write- downs	-	-	(18,175)	-	-	-	-	-	-	(18,175)
Less: Disposals	-	-	-	-	-	-	-	-	-	-
Ending Balance	-	3,311,932	2,271,140	2,336,255	4,440,956	795,281	3,281,129	5,305,136	-	21,741,829
Net Book Value	\$ 14,718,568	\$ 7,717,188	\$ 1,148,897	\$ 1,484,169	\$ 4,483,127	\$ 813,731	\$ 3,230,422	\$ 6,510,115	\$ 872,943	\$ 40,979,160

Schedule 2

District of Ucluelet
Consolidated Schedule of Segment Disclosure by Service
Year ended December 31, 2022

	General Government Services	Protective Services	Transportation Services	Planning and Environmental Services	Recreation and Cultural Services	Water Utility	Sewer Utility	2022 Actual
Revenue								
Taxation, net	\$ 3,708,108	\$ -	\$ -	\$ -	\$ -	\$ 118,720	\$ 126,140	\$ 3,952,968
Sale of services	16,880	-	470,365	108,365	406,096	703,093	466,630	2,171,429
Grants and contributions	880,574	29,990	7,000	-	528,566	85,925	-	1,532,055
Investment income	162,587	-	-	-	-	-	-	162,587
Recognition of DCC	144,469	-	-	-	-	-	235,300	379,769
Other revenue from own sources	1,226,509	36,030	-	237,440	740,359	50,293	-	2,290,631
	6,139,127	66,020	477,365	345,805	1,675,021	958,031	828,070	10,489,439
Expenses								
Salaries and wages	\$ 889,636	\$ 381,636	\$ 363,321	\$ 284,559	\$ 989,893	\$ 255,314	\$ 191,308	\$ 3,355,667
Contracted services	77,852	36,958	440,713	42,630	164,289	176,476	84,781	1,023,699
Materials and supplies	70,373	169,979	231,219	9,035	281,130	113,396	65,322	940,454
Interest and other	344,266	120,178	46,752	12,632	744,182	42,546	2,687	1,313,243
Audit and legal	90,414	-	-	33,586	-	-	-	124,000
Telephone and utilities	65,681	39,522	85,795	-	51,766	63,620	52,857	359,241
Amortization	-	-	395,075	-	397,699	219,363	275,254	1,287,391
	1,538,222	748,273	1,562,875	382,442	2,628,959	870,715	672,209	8,403,695
Annual surplus (deficit)	\$ 4,600,905	\$ (682,253)	\$ (1,085,510)	\$ (36,637)	\$ (953,938)	\$ 87,316	\$ 155,861	\$ 2,085,744

	General Government Services	Protective Services	Transportation Services	Planning and Environmental Services	Recreation and Cultural Services	Water Utility	Sewer Utility	2021 Actual
Revenue								
Taxation, net	\$ 3,182,088	\$ -	\$ -	\$ -	\$ -	\$ 118,640	\$ 126,055	\$ 3,426,783
Sale of services	7,030	-	401,429	29,253	287,234	633,661	479,837	1,838,444
Grants and contributions	695,871	25,300	7,000	-	333,281	-	-	1,061,452
Investment income	48,562	-	-	-	-	-	-	48,562
Other revenue from own sources	1,058,153	26,532	-	228,378	545,737	42,609	2,393	1,903,802
	4,991,704	51,832	408,429	257,631	1,166,252	794,910	608,285	8,279,043
Expenses								
Salaries and wages	\$ 759,004	\$ 231,990	\$ 401,967	\$ 304,211	\$ 920,876	\$ 253,955	\$ 165,226	\$ 3,037,229
Contracted services	73,056	35,595	322,785	26,038	148,982	78,933	123,319	808,708
Materials and supplies	47,398	169,934	174,469	9,024	179,938	74,208	75,072	730,043
Interest and other	282,015	94,391	41,908	59,697	615,003	22,732	3,396	1,119,142
Audit and legal	56,922	-	-	53,885	-	-	-	110,807
Telephone and utilities	59,887	32,619	88,751	-	51,921	64,714	60,392	358,284
Amortization	-	-	402,423	-	399,388	214,841	284,062	1,300,714
	1,278,282	564,529	1,432,303	452,855	2,316,108	709,383	711,467	7,464,927
Annual surplus (deficit)	\$ 3,713,422	\$ (512,697)	\$ (1,023,874)	\$ (195,224)	\$ (1,149,856)	\$ 85,527	\$ (103,182)	\$ 814,116