



Memo

To: Angila Bains, Director of Legislative and Protective Services/Corporate Officer

CC: Paul Arslan, Director of Finance

From: Tara Judge, Executive Administrative Assistant to the CAO

Date: May 2, 2025

Subject: 2024 AUDIT FINDINGS REPORT AND FINANCIAL STATEMENTS

At the May 2, 2025, Finance and Governance Standing Committee meeting, members reviewed the 2024 Audit Findings Report and Financial Statements from the Director of Finance and resolved:

“That the Finance and Governance Standing Committee receive the 2024 Audit Findings Report for information and that this report be referred to Council for its consideration.”

and

“That the Finance and Governance Standing Committee the 2024 Audited Financial Statements be accepted and referred to Council for its consideration.”

A copy of the draft minutes and accompanying report are attached for information.

A handwritten signature in black ink, appearing to be "Tara Judge", written over a circular stamp or watermark.

Tara Judge
Executive Administrative Assistant to the CAO

Atta.

DRAFT MINUTES
FINANCE AND GOVERNANCE STANDING COMMITTEE

Held at Saanich Municipal Hall, Committee Room # 2

770 Vernon Avenue

Friday, May 2, 2025, at 10 a.m.

Present: Councillor Susan Brice (Chair); Councillor Zac de Vries; Councillor Mena Westhaver;

Regrets: Councillor Nathalie Chambers; Mayor Dean Murdock

Staff: Paul Arslan, Director of Finance; Jennifer Lockhart, Senior Manager of Financial Services; Karen Coates, Manager of Accounting Services; Bernard Tso, Senior Accountant; and Tara Judge, Executive Administrative Assistant to the CAO

Guests: Lee Lenora and Winnie Tam, KPMG

MINUTES FOR ADOPTION

MOVED by Councillor Westhaver and Seconded by Councillor de Vries: “That the minutes of the Finance and Governance Standing Committee meeting held March 10, 2025, be adopted as circulated.”

CARRIED

2024 AUDIT FINDINGS REPORT AND FINANCIAL STATEMENTS

A report from the Director of Finance dated April 25, 2025, was presented. To support the committee members, an explanation of the audit process that the District of Saanich and the independent auditing consultant follows was provided. The audit team members from KPMG were introduced.

PS 3400 Revenue was a new accounting standard newly adopted by the Municipality in 2024. This affected when revenue was earned for the sales of recreation punch passes.

Following the discussion the following motions were made:

MOVED by Councillor Westhaver and seconded by Councillor de Vries: “That the Finance and Governance Standing Committee receive the 2024 Audit Findings Report for information and that this report be referred to Council for its consideration.”

CARRIED

MOVED by Councillor Westhaver and seconded by de Vries: “That the Finance and Governance Standing Committee the 2024 Audited Financial Statements be accepted and referred to Council for its consideration.”

CARRIED

ADJOURNMENT

The meeting adjourned at 10:33 a.m.

Susan Brice, Chair

I hereby certify these Minutes are accurate.

Tara Judge, Executive Assistant to the CAO



The Corporation of the District of Saanich

Report

To: Finance and Governance Standing Committee

From: Paul Arslan, Director of Finance

Date: April 25, 2025

Subject: 2024 Audit Findings Report and Financial Statements

File:

RECOMMENDATIONS

That the Finance and Governance Standing Committee recommend to council the following:

1. That the 2024 Audit Findings Report be received for information.
2. That the 2024 Audited Financial Statements be accepted.

PURPOSE

The purpose of this report is to present the 2024 KPMG Audit Findings Report and Audited Financial Statements.

BACKGROUND

The Municipality is required to complete an annual audit of its financial statements and present the findings in accordance with the Community Charter. KPMG has now concluded the 2024 audit. The 2024 financial statements and Audit Findings Report are attached.

DISCUSSION

In 2024, investment in tangible capital assets such as lands, parks infrastructure, roads and sidewalks increased by \$44.3 million. Total reserve funds and appropriated surplus decreased by \$9.4 million due to uses of reserve funds such as facility replacement and capital works to fund capital projects, while capital reserves increased by \$7.0 million to allow for carry forward funding on multi-year capital projects. The net changes above result in the accumulated surplus showing an increase to the Corporation's overall financial position by \$35.2 million.

The purpose of the Audit Findings Report is to provide a summary of audit issues and other matters considered materially significant to the annual Financial Statements and communicate them to Council.

Staff from KPMG will attend the May 2 Finance and Governance Standing Committee meeting to present the report and answer any questions.

Prepared by: Karen Coates, Manager of Accounting Services

Reviewed by:

Approved by: Paul Arslan, Director of Finance

Attachments:

2024 Financial Statements

2024 Audit Findings Report

2024 Financial Statements

The Corporation of the
District of Saanich
British Columbia

Fiscal year ended December 31, 2024

Prepared by:
District of Saanich
Finance Department
saanich.ca



May 12, 2025

Mayor and Council
District of Saanich

Dear Mayor and Council,

I am pleased to present the financial statements for the fiscal year ending December 31, 2024, pursuant to Section 98 of the Community Charter Act.

These statements have been prepared in accordance with generally accepted accounting principles and the recommendations of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada and the Provincial Ministry of Municipal Affairs.

The Corporation maintains a system of internal accounting controls designed to safeguard the assets of the Corporation and provide reliable financial information. We verify and test these systems on a regular basis through the use and review of the internal controls.

The audit firm of KPMG was appointed by Council and is responsible for expressing an opinion as to whether the financial statements, prepared by the Corporation's management, fairly present the financial position of the District of Saanich and the results of its 2024 operations.

In 2024, investment in tangible capital assets such as lands, parks infrastructure, roads and sidewalks increased by \$44.3 million. Total reserve funds and appropriated surplus decreased by \$9.4 million due to uses of reserve funds such as facility replacement and capital works to fund capital projects, while capital reserves increased by \$7.0 million to allow for carry forward funding on multi-year capital projects. The net changes above result in the accumulated surplus showing an increase to the Corporation's overall financial position by \$35.2 million.

Revenue increases for 2024 include sale of services of \$3.1 million due to an increase in fees and revenues collected by the recreation facilities, and an increase in property taxation revenue of \$13.5 million. Transfer from other governments decreased by \$13.4 million due to the unusual, one-time transfer in 2023 of \$14.6 million from the province for the Growing Communities fund.

Total expenses increased by \$20.4 million or 7.90% over 2023 mainly due to higher costs in Police Services, increased volume of services provided in recreation programs, bylaw services and park operations, and higher inflationary costs for facilities, road, sewer, and water maintenance.

The Corporation's prudent approach to financial management is reflected in the increasing financial assets level, moderate use of long-term debt, and level of reserves.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul Arslan". The signature is fluid and cursive, written over a light blue horizontal line.

Paul Arslan
Director of Finance

THE CORPORATION OF THE DISTRICT OF SAANICH

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

The Municipal Council meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Corporation. The accompanying Independent Auditor’s Report outlines their responsibilities, the scope of their examination and their opinion on the Corporation’s financial statements.



Brent Reems
Chief Administrative Officer



Paul Arslan
Director of Finance

May 12, 2025



KPMG LLP

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

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councilors of the Corporation of the District of Saanich

Opinion

We have audited the financial statements of the Corporation of the District of Saanich (the Corporation), which comprise:

- the statement of financial position as at December 31, 2024
 - the statement of operations and accumulated surplus for the year then ended
 - the statement of changes in net financial assets for the year then ended
 - the statement of cash flows for the year then ended
 - and notes to the financial statements, including a summary of significant accounting policies
- (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2024, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, Canada
May 12, 2025

THE CORPORATION OF THE DISTRICT OF SAANICH

STATEMENT OF FINANCIAL POSITION

December 31, 2024, with comparative information for 2023

	2024	2023 Restated Note 1(q)(i)
Financial assets:		
Cash and cash equivalents (note 2)	\$ 232,764,707	\$ 209,171,302
Investments (note 2)	93,024,702	106,540,909
Receivables:		
Property taxes	3,459,613	2,924,288
Board of Cemetery Trustees of Greater Victoria (note 3b)	377,390	460,780
Accounts receivable	21,943,956	18,438,552
MFA cash deposit (note 4)	900,252	906,865
Other assets	6,797	19,978
	<u>352,477,417</u>	<u>338,462,674</u>
Financial liabilities:		
Accounts payable and accrued liabilities	39,492,890	29,429,113
Accrued employee benefit obligations (note 5)	22,293,239	21,560,239
Debt (note 3)	82,635,421	57,735,841
Deferred revenue (note 6)	29,433,231	23,916,119
Deposits and prepayments	29,494,474	26,154,566
Asset retirement obligation (note 8)	10,517,129	10,214,709
	<u>213,866,384</u>	<u>169,010,587</u>
Net financial assets	138,611,033	169,452,087
Non-financial assets:		
Deposits on assets	-	3,251,101
Inventories of supplies	4,530,556	4,840,665
Prepaid expenses	2,213,298	2,136,510
Tangible capital assets (note 9)	1,061,185,573	991,647,994
	<u>1,067,929,427</u>	<u>1,001,876,270</u>
Contingent liabilities, contracts, commitments (notes 4, 11, 12)		
Accumulated surplus (note 10)	\$1,206,540,460	\$ 1,171,328,357

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



Director of Finance

THE CORPORATION OF THE DISTRICT OF SAANICH

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended December 31, 2024, with comparative information for 2023

	Budget	2024	2023 Restated Note 1(q)(i)
	(note 13)		
Revenue:			
Taxes (note 7)	\$ 177,342,533	\$ 176,830,604	\$ 163,366,880
Grants in lieu of taxes	3,451,683	3,484,979	3,387,428
Sales of services	23,971,655	27,564,288	24,446,127
Revenue from own sources	20,165,302	26,685,659	24,540,759
Government transfers (note 7)	1,988,985	3,401,434	16,850,691
Sale of water	25,737,064	24,995,830	24,925,059
Water service charges	1,720,000	1,828,059	1,734,353
Sewer user charges	29,737,925	29,460,240	28,633,183
Grants and contributions	13,337,300	12,527,369	12,170,516
Developer contributions	-	3,188,509	6,247,386
Development cost charges (note 6)	6,465,500	2,746,969	3,778,372
Sub-regional parks reserve (note 6)	250,000	-	-
Other	365,631	922,930	870,147
Total revenue	304,533,578	313,636,870	310,950,901
Expenses:			
General government services	37,800,102	41,847,918	34,594,391
Protective services	78,212,177	82,010,471	73,236,943
Engineering and public works	38,486,474	31,615,918	33,648,338
Refuse collection	10,039,304	10,380,255	9,220,967
Community planning	7,161,354	6,429,814	6,102,583
Recreation, parks and cultural	58,848,671	57,741,309	51,719,188
Water utility	23,122,193	22,920,396	22,912,662
Sewer utility	27,086,161	25,346,678	26,228,427
Other fiscal services	128,500	132,008	381,713
Total expenses	280,884,936	278,424,767	258,045,212
Annual surplus	23,648,642	35,212,103	52,905,689
Accumulated surplus, beginning of year	1,171,328,357	1,171,328,357	1,118,422,668
Accumulated surplus, end of year	\$ 1,194,976,999	\$ 1,206,540,460	\$ 1,171,328,357

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

THE CORPORATION OF THE DISTRICT OF SAANICH

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year ended December 31, 2024, with comparative information for 2023

	Budget	2024	2023 Restated Note 1(q)(i)
Annual surplus	\$ 23,648,642	\$ 35,212,103	\$ 52,905,689
Acquisition of tangible capital assets	(114,154,900)	(93,229,058)	(56,907,081)
Developer contributions of tangible capital assets	-	(3,188,509)	(6,247,386)
Amortization of tangible capital assets	23,353,600	26,341,748	26,449,006
Decrease (increase) in deposits on assets	-	3,251,101	(3,251,101)
Decrease (increase) in tangible capital assets due to asset retirement obligations	-	23,655	(9,869,570)
Loss (gain) on disposal of tangible capital assets	-	514,585	(92,957)
	(90,801,300)	(66,286,478)	(49,919,089)
Purchase of inventories of supplies	-	310,109	(157,635)
Purchase of prepaid expenses	-	(76,788)	(307,885)
	-	233,321	(465,520)
Change in net financial assets	(67,152,658)	(30,841,054)	2,521,080
Net financial assets, beginning of year	169,452,087	169,452,087	166,931,007
Net financial assets, end of year	\$ 102,299,429	\$ 138,611,033	\$ 169,452,087

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

THE CORPORATION OF THE DISTRICT OF SAANICH

STATEMENT OF CASH FLOWS

Year ended December 31, 2024, with comparative information for 2023

	2024	2023 Restated Note 1(q)(i)
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 35,212,103	\$ 52,905,689
Items not involving cash:		
Amortization	26,341,748	26,449,006
Accretion of asset retirement obligations	326,075	345,139
Developer contributions of tangible capital assets	(3,188,509)	(6,247,386)
Actuarial adjustment on debt	(565,237)	(476,119)
Accrued employee benefit obligations	733,000	558,100
Loss (gain) on disposal of tangible capital assets	514,585	(92,957)
Change in non-cash assets and liabilities:		
Property taxes receivable	(535,325)	(115,419)
Board of Cemetery Trustees receivable	83,390	79,419
Accounts receivable	(3,505,404)	(562,614)
Other assets	13,181	(13,181)
Accounts payable and accrued liabilities	10,063,777	94,312
Deferred revenue	5,517,112	3,731,167
Deposits and prepayments	3,339,908	1,231,306
Inventories of supplies	310,109	(157,635)
Prepaid expenses	(76,788)	(307,885)
Net change in cash from operating activities	74,583,725	77,420,942
Capital Activities:		
Cash used to acquire tangible capital assets	(93,229,058)	(56,907,083)
Decrease (increase) in deposits on tangible capital assets	3,251,101	(3,251,101)
Net change in cash from capital activities	(89,977,957)	(60,158,184)
Investing Activities:		
Net increase in investments	13,516,207	11,518,926
Financing Activities:		
MFA cash deposit	6,613	(147,140)
Debt proceeds	30,795,770	15,987,413
Debt repaid	(5,247,563)	(4,309,799)
Debt repaid (Board of Cemetery Trustees)	(83,390)	(79,419)
Net change in cash from financing activities	25,471,430	11,451,055
Increase in cash and cash equivalents	23,593,405	40,232,739
Cash and cash equivalents, beginning of year	209,171,302	168,938,563
Cash and cash equivalents, end of year	\$ 232,764,707	\$ 209,171,302

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

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

The Corporation of the District of Saanich (the “Corporation”) is incorporated and operates under the provisions of the British Columbia Local Government Act and the Community Charter of British Columbia. The Corporation’s principal activities include the provision of local government services to residents of the incorporated area. These include protective, parks, recreation, transportation, drainage, water, and sewer.

1. Significant accounting policies:

The financial statements of the Corporation are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Corporation are as follows:

a) Reporting entity:

The financial statements include the combination of all the assets, liabilities, accumulated surplus, revenues, and expenses of all the activities and funds of the Corporation. The Corporation does not control any significant external entities and accordingly, no entities have been consolidated in the financial statements. Inter-departmental balances and significant organizational transactions have been eliminated. The Corporation does not administer any trust activities on behalf of external parties.

b) Basis of accounting:

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

c) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash on hand, deposit notes, and short-term, highly liquid investments with a maturity date of less than 3 months subsequent to acquisition date that are readily converted to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents also include investments in Municipal Finance Authority of British Columbia Money Market Funds which are recorded at cost plus earnings reinvested in the fund.

d) Investments:

Investments are recorded at cost. Short-term investments are comprised of guaranteed investment certificates and deposit notes with a maturity date of 3 months to one year subsequent to acquisition date, while investments with a maturity date greater than one year are classified as long-term. Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

1. Significant accounting policies (continued):

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 the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

f) Deposits and prepayments:

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

g) Debt:

Debt is recorded net of repayments and actuarial adjustments.

h) Employee future benefits:

The Corporation and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred. The costs of the plan are the employer's contributions due to the plan in the period.

Sick leave and other retirement benefits are also available to the Corporation's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans is accrued based on projected benefits as the employees render services necessary to earn the future benefits.

i) Asset retirement obligations:

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

- 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.

A liability for the removal of asbestos in several building owned by the Corporation has been recognized and a liability for the removal of contaminated soil also recognized based on estimated future expenses.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

1. Significant accounting policies (continued):

i) Asset retirement obligation (continued):

The liability is discounted using a present value calculation and is adjusted yearly for accretion expense. The recognition of any liability will result in an accompanying increase to the respective tangible capital assets.

j) Government transfers:

Government transfers are recognized in the 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. Transfers received for which expenses are not yet incurred and stipulations not yet fulfilled are included in deferred revenue. These government transfers may also be deemed as grants and contributions when all criteria have been met to recognize as revenue. Otherwise, it will be included in deferred revenue.

k) Property tax revenue:

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

l) Revenue:

Revenue from unilateral transactions is recognized when the Corporation has the ability to claim or retain an inflow of economic resources and a past transaction or event giving rise to the asset has occurred. Revenue from exchange transactions is recognized when or as the Corporation has satisfied performance obligations.

m) Loan guarantees:

Periodically the Corporation provides loan guarantees on specific debt issued by related authorities and other entities not consolidated in the Corporation's financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the financial statements of the Corporation until the Corporation considers it likely that the borrower will default on the specified loan obligation. Should a default occur, the Corporation's liability would be recorded in the financial statements.

n) 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.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

1. Significant accounting policies (continued):

m) Non-financial assets (continued):

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

Asset	Useful Life - Years
Vehicles, machinery, and equipment	4 - 25
Buildings and building improvements	20 - 75
Parks infrastructure	15 - 50
Drainage, water, and sewer infrastructure	40 - 100
Roads infrastructure	15 - 100

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset. Amortization is charged upon the asset becoming available for productive use in the year of acquisition. Assets under construction are not amortized until the year after the asset is available for productive use.

- **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.
- **Works of art and cultural and historic assets**
Works of art and cultural and historic assets are not recorded as assets in these financial statements.
- **Interest capitalization**
The Corporation does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.
- **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.
- **Inventories of supplies**
Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

1. Significant accounting policies (continued):

n) Liability for contaminated sites:

Contaminated sites are defined as contamination of ground or water of a chemical, organic, or radioactive material that exceeds an environmental standard. A liability for remediation of a contaminated site is recognized when a Corporation-owned site not in productive use, or another site, meets all of the following criteria:

- (i) an environmental standard exists
- (ii) ground or water contamination exceeds the environmental standard
- (iii) the Corporation is directly responsible or accepts responsibility for a liability
- (iv) it is expected that future economic benefits will be given up, and
- (v) a reasonable estimate of the liability 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.

o) Financial instruments:

The Corporation's financial instruments include cash and cash equivalents, investments, receivables, MFA cash deposits, accounts payable and accrued liabilities and debt.

Financial instruments are recorded at fair value on initial recognition and subsequently at amortized cost. The Corporation does not hold any equity instruments or derivatives and has not elected to carry any other financial instruments at fair value. There are no unrealized changes in fair value in the years presented; as a result, the Corporation does not have a Statement of Remeasurement Gains and Losses.

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

Transaction costs incurred on the acquisition of financial instruments recorded at cost are included in the cost and amortized on an effective interest basis.

p) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, asset retirement obligations, the determination of employee benefit obligations, provision for contingencies, and accrued liabilities. Actual results could differ from those estimates.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

1. Significant accounting policies (continued):

q) Change in accounting policies:

i) PS 3400 – Revenue:

On January 1, 2024 the Corporation adopted the Public Sector Accounting Standard PS 3400 – *Revenue*. The standard was adopted retroactively from January 1, 2023. The new standard provides general revenue recognition guidance on how to account for, and report on, revenue not covered under other standards for specific streams. The adoption of this new standard resulted in a decrease to accumulated surplus at January 1, 2023 of \$332,765.

ii) PS3160 – Public Private Partnerships:

On January 1, 2024, the District adopted Canadian Public Sector Accounting Standard PS 3160 – *Public Private Partnerships*. The new standard addresses the recognition, measurement, presentation, and disclosure of infrastructure procured by public sector entities through certain types of public private partnership arrangements. The adoption of this new standard did not result in changes to previously reported amounts in the financial statements.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

2. Cash, cash equivalents and investments:

	2024	2023
Cash and cash equivalents:		
Cash	\$ 222,634,610	\$ 199,506,126
Municipal Finance Authority money market fund	10,130,097	9,665,176
	<u>232,764,707</u>	<u>209,171,302</u>
Short-term investments:		
Guaranteed investment certificates	-	-
Long-term investments:		
Guaranteed investment certificates	35,000,000	50,000,000
Municipal Finance Authority bonds	58,024,702	56,540,909
	<u>93,024,702</u>	<u>106,540,909</u>
Total investments	93,024,702	106,540,909
Total cash, cash equivalents and investments	<u>\$ 325,789,409</u>	<u>\$ 315,712,211</u>

The Cash balance consists of bank accounts, Municipal Finance Authority pooled high interest savings accounts, and the money market fund with rates ranging from 3.80% to 5.90% (2023 - 4.11% to 5.65%). Guaranteed investment certificates and Municipal Finance Authority non-money market funds had effective yields ranging from 4.86% to 5.90% (2023 - 3.35% to 6.60%) with maturities from 2024 to 2033.

The Municipal Finance Authority Funds earn interest based on current market conditions and do not have set maturity dates. Funds can be withdrawn within three days' notice.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

3. Debt:

	2024	2023
Debt principal:		
Short term	\$ 35,920,451	\$ 5,806,801
Long term	46,714,970	51,929,040
	\$ 82,635,421	\$ 57,735,841

- a) While the gross debenture debt issued as at December 31, 2024 was \$77,823,830 (2023 - \$77,823,830), the debt principal reported is net of repayments and actuarial gains or losses (per above).

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

Short term debt consists of MFA short term financing in the amount of \$34,332,680 (2023 - \$4,448,480) and MFA 5-year equipment financing in the amount of \$1,587,771 (2023 - \$1,358,322).

- b) The City of Victoria and the Corporation established the Board of Cemetery Trustees of Greater Victoria in 1922 under the Municipal Cemeteries Act. The Board is a not-for-profit organization that operates the Royal Oak Burial Park. The terms of the agreement provides the Board a borrowing limit of \$3 million, with the City of Victoria and the Corporation providing equal guarantee. Under this agreement, in 2003 the Corporation borrowed \$1,500,000 of long-term debt through the Municipal Finance Authority on behalf of the Board. The Corporation is reimbursed for all payments of principal and interest as they are paid. In 2024 the debt and the receivable balance recorded in the financial statements is \$377,390 (2023 - \$460,780). On December 31, 2024, the Board also had an outstanding demand loan of \$0 (2023 - \$484,305) with the Bank of Montreal. The Corporation's guaranteed portion of both the long-term debt and demand loan is \$188,696 (2023 - \$628,349).

- c) Principal payments on debt for the next five years and thereafter are as follows:

	General	Sewer	Total
2025	\$ 36,743,747	\$ 750,248	\$ 37,493,995
2026	4,196,876	688,515	4,885,391
2027	3,442,470	688,515	4,130,985
2028	3,207,724	688,515	3,896,239
2029	2,685,261	688,515	3,373,776
2030 and thereafter	23,843,262	5,011,773	28,855,034

Interest on debt ranges from 0.91% to 4.97% with maturity dates from October 1, 2025, to October 12, 2053. Interest expense on debt during the year was \$3,561,778 (2023 - \$1,757,316).

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

4. Municipal Finance Authority debt reserve fund:

The Corporation issues its debt instruments through the Municipal Finance Authority (“MFA”). As a condition of the borrowing, the Corporation is obligated to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. The deposits are included in the Corporation’s financial statements as MFA cash deposits. If the debt is repaid without default, the deposits are refunded to the Corporation. The notes, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default and are not recorded in the financial statements. Upon the maturity of a debt issue, the demand notes are released, and deposits refunded to the Corporation. As of December 31, 2024, there were contingent demand notes of \$2,524,867 (2023 - \$2,698,404) which are not included in the financial statements of the Corporation.

5. Accrued employee benefit obligations and pension plan:

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

	2024	2023	Increase (Decrease)
Vacation pay and banked overtime	\$ 3,897,600	\$ 4,845,100	\$(947,500)
Accumulated sick leave and retirement benefit payment	14,287,800	14,450,300	(162,500)
Accrued benefit obligation	18,185,400	19,295,400	(1,110,000)
Add unamortized net actuarial gain	4,107,839	2,264,839	1,843,000
Accrued employee benefit obligations, end of year	22,293,239	21,560,239	733,000
Less funded amount	(10,923,802)	(10,738,565)	(185,237)
Total unfunded employee benefit obligations	\$ 11,369,437	\$ 10,821,674	\$ 547,763

Accrued vacation pay, banked overtime, and accumulated sick leave represent the liability of banks accumulated for estimated drawdowns at future dates and/or for payout either on an approved retirement, or upon termination or death. Retirement benefit payments represent the Corporation’s share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments, and certain vacation entitlements in the year of retirement.

The unamortized net actuarial gain is amortized over the employees’ average remaining service lifetime (12 years, 11 years in 2023).

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

5. Accrued employee benefit obligations and pension plan (continued):

Information about liabilities for the Corporation's employee obligations is as follows:

	2024	2023
Accrued benefit obligations:		
Balance, beginning of year	\$ 21,560,239	\$ 21,002,139
Current service cost	1,498,000	1,415,200
Interest cost	815,100	822,300
Benefits paid	(1,777,400)	(1,538,300)
Actuarial loss on event-driven liabilities	451,000	144,800
Actuarial gain	(253,700)	(285,900)
Balance, end of year	\$ 22,293,239	\$ 21,560,239

The accrued benefit obligations and the benefit costs were estimated by actuarial valuation by an independent actuarial firm. For event-driven liabilities, actuarial gains or losses are immediately recognized.

Key estimates used in the valuation:

	2024	2023
Discount rates	4.30%	4.10%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2.50% to 5.90%	2.50% to 5.90%

The Corporation and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As of December 31, 2024, the Plan has about 256,000 active members and approximately 129,000 retired members. Active members include approximately 45,000 contributors from local governments.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

5. Accrued employee benefit obligations and pension plan (continued):

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

The Corporation paid \$12,406,949 (2023 - \$11,666,763) for employer contributions while employees contributed \$10,449,996 (2023 - \$9,809,243) to the Plan in fiscal 2024.

The next valuation will be as at December 31, 2024.

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.

GVLRA – CUPE Long-Term Disability Trust

The health and welfare trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers, and the Canadian Union of Public Employees, representing a number of CUPE locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. Employers and employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined as of December 31, 2020, and extrapolated to December 31, 2021. At December 31, 2023, the total plan provision for approved and unreported claims was \$27,791,600 with a plan deficit of \$3,419,021. The actuary does not attribute portions of the unfunded liability to individual employers. The Corporation paid \$698,969 (2023 - \$598,218) for employer contributions and the Corporation's employees paid \$699,381 (2023 - \$600,041) for employee contributions to the plan in 2024.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

6. Deferred revenue:

Development Cost Charges and Sub-regional Parks Reserve represent funds received from developers restricted for capital expenditures.

	2024	2023 Restated Note 1(q)(i)
Development cost charges:		
Balance, beginning of year	\$ 15,605,431	\$ 14,130,853
Investment income	676,186	713,339
Fees and contributions	2,863,744	4,539,611
Amounts spent on projects and recorded as revenue	(2,746,969)	(3,778,372)
Balance, end of year	16,398,392	15,605,431
Sub-regional parks reserve:		
Balance, beginning of year	1,176,686	1,152,137
Investment income	33,045	24,549
Fees and contributions	-	-
Amounts spent on projects and recorded as revenue	-	-
Balance, end of year	1,209,731	1,176,686
General operating fund deferred revenue	10,688,546	5,944,141
Capital fund deferred revenue	1,136,562	1,189,861
Total deferred revenue	\$ 29,433,231	\$ 23,916,119

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

7. Taxation and Government Transfers:

a) Taxes

	2024	2023
General Purpose:		
Property Tax	\$ 174,985,681	\$ 161,364,418
Utility 1% Tax	1,445,810	1,514,412
	176,431,491	162,878,830
Special Assessments:		
Cadboro Bay Village Business Improvement Area	20,000	20,000
Hotel Room Tax:		
Tourism Victoria – Destination Marketing Commission	379,113	468,050
	\$ 176,830,604	\$ 163,366,880

b) Taxes levied for other Authorities

In addition to taxes levied for municipal purposes, the Corporation is legally obligated to collect and remit taxes levied for the following authorities. These collections and remittances are not recorded as revenue and expenses.

	2024	2023
Provincial Government - school taxes	\$ 63,898,072	\$ 61,718,502
Capital Regional District	12,727,316	11,861,348
Capital Regional Hospital District	6,784,103	6,857,662
Municipal Finance Authority	10,884	10,953
B.C. Assessment Authority	1,944,282	1,907,516
B.C. Transit Authority	15,731,494	11,086,464
	\$ 101,096,151	\$ 93,442,445

c) Government transfers:

	2024	2023
Operating transfers:		
Federal	\$ 29,000	\$ 65,020
Provincial	3,372,434	16,785,671
	\$ 3,401,434	\$ 16,850,691

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

8. Asset retirement obligation:

The Corporation owns land and operates several buildings that are known to have asbestos, hazardous materials including lead paint, and soil contamination which represents a health hazard upon demolition of the buildings and redevelopment of the land. There is a legal obligation to remove the asbestos, hazardous materials, and soil contamination.

Estimated costs of \$10,517,129 (2023 - \$10,214,709) have been discounted using a present value calculation with a discount rate of 3.99% (3.99% - 2023) for buildings over 10 years and 3.35% (3.73% 2023) for land over 5 years. Discount rates based on the December 31, 2024 Municipal Finance Authority are indicative long-term finance rates.

	2024	2023
Balance, beginning of year:	\$ 10,214,709	\$ -
Initial recognition of expected discounted cash flows:		
Buildings	36,558	1,869,570
Land	-	8,000,000
Decrease due to disposal:		
Buildings	(60,213)	-
Increase due to accretion:		
Buildings	48,078	46,739
Land	277,997	298,400
Balance, end of year:	\$ 10,517,129	\$ 10,214,709

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

9. Tangible capital assets:

Cost	Balance at December 31, 2023	Additions	Disposals and transfers	Balance at December 31, 2024
Land	\$ 324,115,811	\$ 22,181,537	\$ -	\$ 346,297,348
Vehicles, machinery & equipment	87,881,975	10,387,327	2,817,048	95,452,254
Buildings & building improvements	160,510,697	8,870,561	295,214	169,086,044
Park infrastructure	47,457,079	767,073	-	48,224,152
Drainage infrastructure	226,833,824	2,971,525	-	229,805,349
Roads infrastructure	237,184,010	4,572,043	-	241,756,053
Water infrastructure	172,957,746	4,091,145	13,911	177,034,980
Sewer infrastructure	181,037,727	3,794,330	-	184,832,057
Assets under construction	64,457,238	103,275,824	64,457,238	103,275,824
Total	\$ 1,502,436,107	\$ 160,911,365	\$ 67,583,411	\$ 1,595,764,061

Accumulated amortization	Balance at December 31, 2023	Disposals	Amortization expense	Balance at December 31, 2024
Land (ARO amortization)	\$ 1,600,000	\$ -	\$ 1,600,000	\$ 3,200,000
Vehicles, machinery & equipment	56,058,234	2,396,149	7,487,523	61,149,608
Buildings & building improvements	59,438,998	145,447	3,444,691	62,738,242
Park infrastructure	35,470,207	-	1,224,482	36,694,689
Drainage infrastructure	98,140,058	-	2,498,891	100,638,949
Roads infrastructure	116,391,900	-	5,759,693	122,151,593
Water infrastructure	64,954,352	9,777	2,259,952	67,204,527
Sewer infrastructure	78,734,364	-	2,066,516	80,800,880
Assets under construction	-	-	-	-
Total	\$ 510,788,113	\$ 2,551,373	\$ 26,341,748	\$ 534,578,488

	Net book value December 31, 2023	Net book value December 31, 2024
Land	\$ 322,515,811	\$ 343,097,348
Vehicles, machinery & equipment	31,823,741	34,302,646
Buildings & building improvements	101,071,699	106,347,802
Park infrastructure	11,986,872	11,529,463
Drainage infrastructure	128,693,766	129,166,400
Roads infrastructure	120,792,110	119,604,460
Water infrastructure	108,003,394	109,830,453
Sewer infrastructure	102,303,363	104,031,177
Assets under construction	64,457,238	103,275,824
Total	\$ 991,647,994	\$ 1,061,185,573

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

9. Tangible capital assets (continued):

Cost	Balance at December 31, 2022	Additions	Disposals and transfers	Balance at December 31, 2023
Land	\$ 311,244,038	\$ 12,871,773	\$ -	\$ 324,115,811
Vehicles, machinery & equipment	81,350,759	8,231,721	1,700,505	87,881,975
Buildings & building improvements	149,834,913	10,675,784	-	160,510,697
Park infrastructure	47,244,916	212,163	-	47,457,079
Drainage infrastructure	219,910,671	6,923,153	-	226,833,824
Roads infrastructure	229,151,839	8,032,171	-	237,184,010
Water infrastructure	167,022,959	5,941,786	6,999	172,957,746
Sewer infrastructure	177,691,517	3,346,210	-	181,037,727
Assets under construction	47,288,521	64,457,238	47,288,521	64,457,238
Total	\$ 1,430,740,133	\$ 120,691,999	\$ 48,996,025	\$ 1,502,436,107

Accumulated amortization	Balance at December 31, 2022	Disposals	Amortization expense	Balance at December 31, 2023
Land (ARO amortization)	\$ -	\$ -	\$ 1,600,000	\$ 1,600,000
Vehicles, machinery & equipment	49,204,974	1,414,021	8,267,281	56,058,234
Buildings & building improvements	56,330,742	-	3,108,256	59,438,998
Park infrastructure	34,251,022	-	1,219,185	35,470,207
Drainage infrastructure	95,699,122	-	2,440,936	98,140,058
Roads infrastructure	110,873,773	-	5,518,127	116,391,900
Water infrastructure	62,759,540	6,999	2,201,811	64,954,352
Sewer infrastructure	76,640,954	-	2,093,410	78,734,364
Assets under construction	-	-	-	-
Total	\$ 485,760,127	\$ 1,421,020	\$ 26,449,006	\$ 510,788,113

	Net book value December 31, 2022	Net book value December 31, 2023
Land	\$ 311,244,038	\$ 322,515,811
Vehicles, machinery & equipment	32,145,785	31,823,741
Buildings & building improvements	93,504,171	101,071,699
Park infrastructure	12,993,894	11,986,872
Drainage infrastructure	124,211,549	128,693,766
Roads infrastructure	118,278,066	120,792,110
Water infrastructure	104,263,418	108,003,394
Sewer infrastructure	101,050,564	102,303,363
Assets under construction	47,288,521	64,457,238
Total	\$ 944,980,006	\$ 991,647,994

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2023

9. Tangible capital assets (continued):

a) Assets under construction

Assets under construction having a value of \$103,275,824 (2023 - \$64,457,238) have not been amortized. Amortization of these assets will commence the year after the asset is put into service.

b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$3,188,509 (2023 - \$6,247,386) comprised of land in the amount of \$8,711 (2023 - \$3,317,381), drainage, parks, and transportation infrastructure \$1,590,533 (2023 - \$1,232,217), and water and sewer infrastructure in the amount of \$1,589,265 (2023 - \$1,697,788). Contributed assets capitalized in 2024 were \$2,253,626 (2023 - \$5,668,523) with \$934,883 expensed (2023 - \$578,863) and the remaining amount is recognized as a deferred contribution of \$- (2023 - \$996,516).

c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category to which nominal values are assigned.

d) Works of art and historical treasures

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

e) Write-down of tangible capital assets

No significant write-down of tangible capital assets occurred during 2024 or 2023.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

10. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses and reserves as follows:

	2024	2023 Restated Note 1(q)(i)
Surplus:		
Invested in tangible capital assets	\$ 968,410,413	\$ 924,158,224
Operating funds	22,956,034	29,056,058
Capital funds	74,366,735	67,399,566
Unfunded employee benefit obligations	(11,369,437)	(10,821,674)
Total surplus	1,054,363,745	1,009,792,174
Appropriated surplus set aside for:		
Insurance	2,000,000	2,000,000
Future expenses	14,747,120	10,569,012
Working capital	4,450,000	4,450,000
Total appropriated surplus	21,197,120	17,019,012
Reserves set aside for specific purpose by Council:		
Land sales fund	60,402	58,753
Public safety and security fund	2,287,176	2,491,443
Prospect Lake fund	205,617	200,000
Carbon neutral fund	286,472	279,824
Climate action fund	1,818,319	776,328
Equipment depreciation fund	13,169,468	14,600,121
Growing communities fund	13,471,147	15,242,599
Capital works fund	46,768,774	56,450,928
Urban forest fund	601,250	446,025
Park lands acquisition fund	446,471	44,443
Commonwealth pool operating fund	-	-
Commonwealth pool high performance repair and replacement fund	290,006	294,363
Facility replacement fund	9,720,531	16,850,357
Computer hardware and software fund	14,212,724	13,076,238
Sayward gravel pit fund	215,637	218,114
Specific area capital project fund	2,372,857	2,338,982
Affordable Housing Fund	2,969,099	-
Water capital fund	5,949,429	6,058,564
Sewer capital fund	13,120,384	12,920,025
Development cost charge program municipal responsibility reserve	2,457,571	1,800,000
Receivable reserves	556,261	370,064
Total reserve funds	130,979,595	144,517,171
	\$ 1,206,540,460	\$ 1,171,328,357

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

11. Contingent liabilities:

- a) Capital Regional District debt, under the provisions of the Local Government Act, is a direct, joint and several liability of the Capital Regional District and each member municipality within the District, including The Corporation of the District of Saanich.
- b) The Corporation is a shareholder and member of the Capital Region Emergency Service Telecommunications (CREST) Incorporated, which provides centralized emergency communications and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.
- c) In the normal course of a year, claims for alleged damages are made against the Corporation and are recorded when a liability is likely and reasonably determinable. The Corporation maintains an insurance reserve in its accumulated surplus of \$2,000,000 (2023 - \$2,000,000) to provide for claims, and also maintains insurance coverage to provide for insured claims should they exceed \$2,000,000 in any year.
- d) The Corporation has provided a 50% loan guarantee in respect of two Bank of Montreal demand loans of the Board of Cemetery Trustees of Greater Victoria. The guarantee covers a demand loan balance of up to \$1,900,000 (the Corporation's share: \$950,000). The loans bear interest at the Bank's prime lending rate plus 0.5%, calculated monthly. There are no monthly payments due on the loan. As of December 31, 2024 the combined demand loan balance was \$0 (2023 - \$484,305) with the Corporation's share of that balance being \$0 (2023 - \$242,152). In the Corporation's view, no provision for loss is required at this time.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

12. Contracts and commitments:

At December 31, 2024, the following major contracts were in progress:

	Total amount of contract	Paid or accrued
Purchase of vehicles and equipment	\$ 18,427,775	\$ 1,882,250
Consulting and Parks and Public Works projects	59,744,741	14,342,951
Facilities projects	47,215,722	13,654,296

Commitments:

- a) The Corporation has contracted with Ravine Equities Inc. for the lease of property at Uptown to be used as a library (Emily Carr Library). The term of the lease is for 5 years ending December 2028. The lease payment is currently \$247,514 per annum and increasing slightly each year due to Saanich's share of the operating costs.
- b) The Corporation has contracted with Itziar Management Ltd. for the lease of a portion of the building at 57 Cadillac Avenue for Police Services. The term of the lease is for five years ending April, 2029. The lease payment is currently \$325,920 per annum and increasing slightly each year due to Saanich's share of the operating costs.
- c) The Corporation entered into a five-year agreement for police related dispatch services with E-Comm Emergency Communications for British Columbia Incorporated effective January 1, 2024. Under the terms of the agreement, E-Comm will provide 9-1-1 call answer and dispatch services including emergency call-taking, telephone reports, and radio dispatch for the Corporation. The annual charge will be based on the Corporation's share of actual costs for the calendar year as determined in the agreement. The estimated cost for 2025 is \$2,896,560.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

13. Budget data:

The budget data presented in these financial statements is based upon the 2024-2028 Financial Plan adopted by Council May 13, 2024. The following chart reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenues:	
Total General revenues per Financial Plan	\$ 249,747,300
Total Water Utility revenues per Financial Plan	28,803,400
Total Sewer Utility revenues per Financial Plan	30,461,900
Add:	
Net Fleet revenues recorded as gross per PSAB	1,515,519
Less:	
COVID-19 Restart Grant recognized as surplus appropriation per PSAB	(149,300)
Inter departmental revenues netted against expenses per PSAB	(5,845,241)
Total revenue	304,533,578
Expenses:	
Total General expenses per Financial Plan	225,626,100
Total Water Utility expenses per Financial Plan	22,072,200
Total Sewer Utility expenses per Financial Plan	24,966,600
Capital expenditure budget that is expensed per PSAB	13,343,800
Less:	
Reserve expenditure recognized as transfers per PSAB	(1,838,525)
Inter departmental revenues netted against expenses per PSAB	(3,285,239)
Total expenses	280,884,936
Annual surplus	\$ 23,648,642

14. Comparative figures:

Certain comparative information has been reclassified to conform with the financial statement presentation for the current year.

15. Risk management:

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

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

15. Risk management (continued):

a) Credit risk:

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

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

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

b) Liquidity risk:

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

c) Market risk:

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Corporation mitigates interest rate risk by investing in fixed-rate investments and debt. Investments are managed following the Corporation's investment policy and the performance of certain long-term investments is dependent on market conditions over time. Certain investments are subject to changes in market conditions. The Corporation does not invest for speculative purposes.

The imposition of US tariffs on cross-border trade will result in increased costs for goods and services procured from US suppliers, impacting operations and infrastructure projects. While the long-term impact of US tariffs remains uncertain, the District is actively working to monitor and mitigate the risks and impacts of the tariffs.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

16. Segmented information:

The Corporation is a diversified municipal government organization providing a wide range of services to its citizens including General Government; Protective Services; Engineering and the Saanich Operations Centre; Planning; Parks, Recreation & Community Services, and Water and Sewer Services. For management reporting purposes, the Corporation's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions, or limitations.

Municipal services are provided by departments and their activities reported within these funds. Certain functions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General Government

The General Government Operations provide the functions of Corporate Services; Administration; Finance; Information Technology; Legislative and Protective Services; Tax Collection; Civic Centre Maintenance, and other functions categorized as non-departmental.

Protective Services

Protective services comprise three different functions, Police, Fire, and Emergency Preparedness. The mission of the Police Department is to provide quality police service and keep Saanich safe. The Fire Department's mandate is to protect citizens and property, provide all proper measures to prevent, control, and extinguish fires and provide assistance to medical emergencies, land and marine rescue operations, requests from other fire services, and hazardous materials incidents and requests for public service. The Emergency Program's mandate is to provide continuity in government and the preservation of life and property through a coordinated response by elected officials, municipal departments, volunteer services, and such outside agencies as may be able to assist during a major emergency or disaster.

Engineering

The Engineering Department is responsible for all municipal infrastructures, which includes roads, drains and street and traffic lights.

Planning

The Planning Department is comprised of two Divisions: Community Planning and Current Planning. These Divisions manage all activities and applications relating to long range and current planning, and subdivision review.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

16. Segmented information (continued):

Parks, Recreation & Community Services

The Parks and Recreation Department promotes active, healthy living through the effective provision of a wide range of programs, services, and facilities. It also promotes the engagement of community members in a variety of arts, special events, cultural and social activities to encourage strong community connections. The Department is comprised of three Divisions that plan and manage a number of municipal services. Their mission is to work in partnership with the community to create a quality of life that fosters and supports healthy citizens and community environments.

Water and Sewer

The Water and Sewer Utilities operate and distribute water and network sewer mains, storm sewers and pump stations.

Statement of Segmented Information

The following statement provides additional financial information for the foregoing functions. Taxation and grants in lieu of taxes are apportioned to the functions based on their share of net departmental budgeted expenditures in the 2024 - 2028 Financial Plan. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

16. Segmented information (continued):

2024	General Government	Protective Services	Engineering	Planning	Parks, Recreation & Comm.	Water and Sewer	Reserve Funds	Total
Revenue:								
Taxes	\$ 25,026,915	\$ 68,835,595	\$ 33,099,833	\$ 3,919,145	\$ 45,949,116	\$ -	\$ -	\$ 176,830,604
Grants in lieu of taxes	493,229	1,356,612	652,332	77,240	905,566	-	-	3,484,979
Sales of services	-	906,947	8,845,590	-	17,811,751	-	-	27,564,288
Other revenue from own sources	11,653,083	3,268,838	1,699,947	4,288,485	-	1,110,000	4,665,306	26,685,659
Government transfers	200,000	1,354,975	-	1,522,398	324,061	-	-	3,401,434
Sale of water and charges	-	-	-	-	-	26,823,889	-	26,823,889
Sewer user charge	-	-	-	-	-	29,460,240	-	29,460,240
Grants and contributions	246,664	-	2,400,482	-	894,819	58,393	8,927,011	12,527,369
Development cost charges	2,497,403	-	-	-	-	249,566	-	2,746,969
Developer contribution	-	-	1,599,244	-	-	1,589,265	-	3,188,509
Sub-regional park fund	-	-	-	-	-	-	-	-
Other	58,500	-	399,966	-	-	464,464	-	922,930
Total revenue	40,175,794	75,722,967	48,697,394	9,807,268	65,885,313	59,755,817	13,592,317	313,636,870
Expenses:								
Salaries, wages, and benefits	26,378,318	66,657,926	15,755,581	4,444,781	32,247,871	5,828,404	-	151,312,881
Goods and services	5,802,834	11,584,733	8,843,961	1,980,574	10,794,774	34,896,478	-	73,903,354
Interest and financial charges	1,838,546	-	1,511,416	-	292,712	392,612	-	4,035,286
Other	1,302,689	-	-	-	7,520,314	-	-	8,823,003
Capital expenditures	2,331,624	1,111,682	5,627,461	-	2,822,403	1,789,250	-	13,682,420
Accretion	47,335	743	277,996	-	-	-	-	326,074
Amortization	4,278,580	2,655,387	9,979,758	4,459	4,063,235	5,360,330	-	26,341,749
Total expenses	41,979,926	82,010,471	41,996,173	6,429,814	57,741,309	48,267,074	-	278,424,767
Annual surplus (deficit)	(1,804,132)	(6,287,504)	6,701,221	3,377,454	8,144,004	11,488,743	13,592,317	35,212,103
Accumulated surplus, beginning of year								1,171,328,357
Accumulated surplus, end of year								\$ 1,206,540,460

THE CORPORATION OF THE DISTRICT OF SAANICH

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2024

16. Segmented information (continued):

2023	General Government	Protective Services	Engineering	Planning	Parks, Recreation & Comm.	Water and Sewer	Reserve Funds	Total Restated Note 1(q)(i)
Revenue:								
Taxes	\$ 23,532,697	\$ 63,658,272	\$ 31,370,927	\$ 3,720,185	\$ 41,084,799	\$ -	\$ -	\$ 163,366,880
Grants in lieu of taxes	487,953	1,319,960	650,479	77,139	851,897	-	-	3,387,428
Sales of services	-	854,699	8,200,801	-	15,390,627	-	-	24,446,127
Other revenue from own sources	8,845,364	2,354,683	2,840,982	4,846,907	26,750	1,939,147	3,686,926	24,540,759
Government transfers	-	7,313,000	-	838,671	8,699,020	-	-	16,850,691
Sale of water and charges	-	-	-	-	-	26,659,412	-	26,659,412
Sewer user charge	-	-	-	-	-	28,633,183	-	28,633,183
Grants and contributions	114,154	-	3,999,935	-	231,933	-	7,824,494	12,170,516
Development cost charges	2,045,340	-	-	-	-	1,733,032	-	3,778,372
Developer contribution	-	-	4,549,598	-	-	1,697,788	-	6,247,386
Sub-regional park fund	-	-	-	-	-	-	-	-
Other	46,125	-	337,178	-	-	486,844	-	870,147
Total revenue	35,071,633	75,500,614	51,949,900	9,482,902	66,285,026	61,149,406	11,511,420	310,950,901
Expenses:								
Salaries, wages, and benefits	19,889,451	61,223,120	17,333,163	3,668,232	28,866,999	5,255,674	-	136,236,639
Goods and services	5,477,412	9,321,547	8,228,112	2,428,998	10,015,545	33,258,411	-	68,730,025
Interest and financial charges	518,969	-	1,043,191	-	235,157	331,549	-	2,128,866
Other	3,008,195	-	-	-	7,066,730	-	-	10,074,925
Capital expenditures	791,160	455,236	5,942,273	-	1,946,723	4,945,220	-	14,080,612
Accretion	46,739	-	298,400	-	-	-	-	345,139
Amortization	5,244,178	2,237,040	10,024,166	5,353	3,588,034	5,350,235	-	26,449,006
Total expenses	34,976,104	73,236,943	42,869,305	6,102,583	51,719,188	49,141,089	-	258,045,212
Annual surplus (deficit)	95,529	2,263,671	9,080,595	3,380,319	14,565,838	12,008,317	11,511,420	52,905,689
Accumulated surplus, beginning of year								1,118,422,668
Accumulated surplus, end of year								\$ 1,171,328,357

THE CORPORATION OF THE DISTRICT OF SAANICH

Schedule A, Statement of BC Safe Restart Grant

Year ended December 31, 2024
(unaudited)

	2024	2023
Balance, beginning of year	\$ 582,078	\$ 1,312,304
Use of funds:		
Revenue losses due to previous recreation centre closures Impacting current staffing shortages for programs	(149,300)	(420,000)
Emergency Operations Centre and municipal facilities support for additional office protective barrier costs	(128,000)	(240,226)
Grants to Other Organizations	(10,000)	(70,000)
Balance, end of year	\$ 294,778	\$ 582,078

Schedule B, Statement of Growing Communities Fund Grant

	2024	2023
Balance, beginning of year	\$ 15,242,599	\$ -
Growing Communities Fund Grant, funding received	-	14,634,000
Interest earned	779,591	608,599
Use of funds:		
Property purchase – Temporary Nellie McClung Library	(2,551,043)	-
Balance, end of year	\$ 13,471,147	\$ 15,242,599

Schedule C, Statement of Local Government Housing Initiatives Fund Grant

	2024	2023
Balance, beginning of year	\$ -	\$ -
Local Government Housing Initiatives Fund Grant, funding received	712,442	-
Use of funds:		
Tillicum Burnside Corridor Plan	594	-
Development of Parking Standards	20,668	-
Water Modeling for Density Impacts	27,288	-
Sewer Modeling for Density Impacts	31,104	-
Balance, end of year	\$ 632,788	\$ -

Statistical Section

THE CORPORATION OF THE DISTRICT OF SAANICH

STATISTICAL SECTION

Revenue by source – 5-year comparison (unaudited)

	2024	2023	2022	2021	2020
Revenue:					
Taxes	176,830,604	163,366,880	151,734,601	141,801,217	135,550,511
Grants in lieu of taxes	3,484,979	3,387,428	3,183,076	3,034,859	2,752,988
Sales of services	27,564,288	24,446,127	20,541,273	16,543,879	14,267,113
Revenue from own sources	26,685,659	24,540,759	16,767,148	12,900,578	13,868,827
Transfers from other governments	3,401,434	16,850,691	2,381,939	2,077,743	9,450,242
Sale of water	24,995,830	24,925,059	21,989,587	22,263,168	20,084,156
Water service charges	1,828,059	1,734,353	1,912,858	1,518,712	1,709,175
Sewer user charges	29,460,240	28,633,183	26,972,653	27,196,375	25,129,666
Grants and contributions	12,527,369	12,170,516	9,553,217	18,843,891	6,885,886
Development cost charges	2,746,969	6,247,386	3,154,663	1,441,498	1,751,075
Developer contributions	3,188,509	3,778,372	7,555,004	7,508,467	3,940,405
Sub-regional park reserve	-	-	-	876,274	-
Other	922,930	870,147	758,381	709,038	859,403
	313,636,870	310,950,901	266,504,400	256,715,699	236,249,447

Expenses by function and object – 5-year comparison (unaudited)

	2024	2023	2022	2021	2020
Expenses by function:					
General government services	41,847,918	34,594,391	28,046,213	27,086,482	24,167,369
Protective services	82,010,471	73,236,943	68,018,797	63,949,096	60,921,083
Engineering and public works	31,615,918	33,648,338	29,755,247	27,686,082	29,940,238
Refuse collection	10,380,255	9,220,967	8,369,828	7,977,306	7,464,663
Community planning	6,429,814	6,102,583	4,931,407	4,323,819	3,713,129
Recreation, parks and cultural	57,741,309	51,719,188	46,833,143	41,640,879	39,927,177
Water utility	22,920,396	22,912,662	20,122,394	20,253,578	19,207,459
Sewer utility	25,346,678	26,228,427	24,523,072	22,747,453	21,554,510
Other fiscal services	132,008	381,713	74,893	72,776	128,745
	278,424,767	258,045,212	230,674,994	215,737,471	207,024,373
Expenses by object:					
Salaries, wages, and benefits	151,312,881	136,236,639	122,476,166	116,336,828	108,836,004
Goods and services	87,911,848	83,155,776	75,927,493	67,858,536	66,465,831
Interest and financial charges	4,035,286	2,128,866	1,535,921	1,480,347	1,524,400
Other	8,823,003	10,074,925	8,069,324	8,178,764	7,731,464
Amortization	26,341,749	26,449,006	22,666,090	21,882,996	22,466,674
	278,424,767	258,045,212	230,674,994	215,737,471	207,024,373

THE CORPORATION OF THE DISTRICT OF SAANICH

STATISTICAL SECTION

Taxable assessments for general and regional district - 5-year comparison

(unaudited)

	2024	2023	2022	2021	2020
Residential	46,591,153,573	47,081,436,076	42,045,648,460	34,019,087,376	32,656,753,450
Utilities	23,776,500	22,555,200	20,655,700	19,632,400	18,668,400
Light industry	47,771,900	41,598,400	33,977,400	29,531,900	27,591,900
Major industry	-	447,000	-	-	-
Business/other	3,021,690,633	2,940,510,679	2,659,104,964	2,449,975,199	2,490,797,701
Managed forest	-	-	-	-	16,400
Recreation/non-profit	19,057,000	23,456,000	23,061,800	19,408,400	18,880,400
Farm	3,616,704	3,607,487	3,731,002	3,638,630	3,574,282
	49,707,066,310	50,113,610,842	44,786,179,326	36,541,273,905	35,216,282,533

Property taxes collected - 5-year comparison

(unaudited)

	2024	2023	2022	2021	2020
Taxes due beginning of year	2,924,288	2,808,869	2,551,070	2,716,080	2,355,545
General purpose taxes	176,431,491	162,878,885	151,264,651	141,515,829	135,345,339
Special assessments	20,000	20,000	20,000	-	20,000
Penalties and interest	841,255	776,981	731,591	647,545	463,568
User and other charges	921,706	1,002,604	855,641	826,617	866,127
Taxes and charges due District of Saanich	181,138,740	167,487,339	155,422,953	145,706,071	139,050,579
Taxes and charges due Other authorities	101,096,151	93,442,445	86,545,155	82,238,994	74,683,509
Taxes and charges due	282,234,891	260,929,784	241,968,108	227,945,065	213,734,088
Taxes collected - District of Saanich	178,918,356	165,610,278	153,618,737	144,075,387	137,283,559
Taxes collected - Other Authorities	99,856,922	92,395,218	85,540,502	81,318,608	73,734,449
Taxes collected	278,775,278	258,005,496	239,159,239	225,393,995	211,018,008
Taxes outstanding	3,459,613	2,924,288	2,808,869	2,551,070	2,716,080
Percentage of taxes collected	98.77%	98.88%	98.84%	98.88%	98.73%

Taxes levied for other authorities

(unaudited)

	2024	2023	2022	2021	2020
Provincial Government – school taxes	63,898,072	61,718,502	57,371,811	54,279,269	46,730,570
Capital Regional District	12,727,316	11,861,348	11,309,041	10,372,537	10,056,089
Capital Regional Hospital District	6,874,103	6,857,662	6,873,997	7,307,594	7,663,810
Municipal Finance Authority	10,884	10,953	9,797	8,060	7,840
B.C. Assessment Authority	1,944,282	1,907,516	1,782,630	1,710,779	1,705,838
B.C. Transit Authority	15,731,494	11,086,464	9,197,879	8,560,755	8,519,362
	101,186,151	93,442,445	86,545,155	82,238,994	74,683,509

THE CORPORATION OF THE DISTRICT OF SAANICH

STATISTICAL SECTION

Municipal tax rates

(unaudited)

	2024	2023	2022	2021	2020
Residential	2.8633	2.5793	2.6832	3.0965	3.0378
Utilities	24.6215	24.6819	25.2581	25.9079	27.2421
Supportive Housing	2.8633	2.5793	2.6832	3.0965	3.0378
Major Industry	-	6.0993	-	-	-
Light Industry	6.0316	6.0993	6.8334	7.0277	7.1124
Business/Other	13.5922	12.6325	12.8853	13.0864	12.0517
Managed Forest	20.3883	18.9488	19.3280	19.6296	18.1167
Rec/Non-Profit	11.0995	9.3290	8.1467	8.1364	7.9042
Farm	0.5000	0.4935	0.4936	0.4933	0.4968

Principal taxpayers

(unaudited)

Registered Owner	Primary Property	2024 Taxes Levied
Ravine Equities (Nominee) Inc.	Uptown Shopping Centre	\$ 6,265,436
Anthem Crestpoint Tillicum Holdings Ltd.	Tillicum Centre	2,275,240
University Heights Shopping Centre	University Heights Shopping Centre	2,023,981
Grosvenor Canada Ltd. & Admns Broadmead Investment Corp.	Broadmead Shopping Centre	1,482,437
4000 Seymour Place Building Ltd.	BC Systems Building	1,396,112
Island Home Centre Holdings Ltd.	Island Home Centre	1,195,671
Foundation For the University of Victoria	Vancouver Island Technology Centre	1,179,803
Royal Oak Shopping Centre Ltd. & Hansbraun Investments Ltd.	Royal Oak Shopping Centre	1,151,379
High Quadra Holdings Ltd./Hansbraun Investments Ltd./Marcentre Holdings Ltd./Highmark Holdings Ltd	Saanich Centre Shopping Centre	794,795
Saanich Plaza Holdings Ltd	Saanich Plaza Shopping Centre	756,633

Principal industries of employment

(unaudited)

Occupation	Number of People
Management	820
Business, finance, and administration	10,710
Natural and applied sciences and related	6,060
Health	5,905
Education, law and social, community and government services	9,455
Art, culture, recreation, and sport	2,505
Sales and services	15,450
Trades, transport, and equipment operators and related	8,280
Natural resources, agriculture, and related production	1,315
Manufacturing and utilities	1,005

Source: 2021 Census Profile updated every five years

THE CORPORATION OF THE DISTRICT OF SAANICH

STATISTICAL SECTION

Reserve fund balances and surpluses

(unaudited)

	2024	2023	2022	2021	2020
Reserve funds balances:					
Land sales fund	60,402	58,753	393,398	2,716,731	1,181,861
Public safety and security fund	2,287,176	2,491,443	3,172,390	3,237,718	3,117,411
Prospect Lake fund	205,617	200,000	-	-	-
Carbon neutral fund	286,472	279,824	587,660	667,227	836,830
Climate action fund	1,818,319	776,328	537,695	253,478	-
Equipment depreciation fund	13,169,468	14,600,121	11,935,323	8,278,692	7,038,015
Growing communities fund	13,471,147	15,242,599	-	-	-
Capital works fund	46,768,774	56,450,928	58,754,664	59,317,432	46,205,651
Urban forest fund	601,250	446,025	211,239	314,224	320,638
Park lands acquisition fund	446,471	44,443	-	-	-
Commonwealth pool operating fund	-	-	-	5,277	12,196
Commonwealth pool high performance repair and replacement fund	290,006	294,363	288,222	292,703	261,198
Facility replacement fund	9,720,531	16,850,357	17,226,921	16,312,205	16,360,179
Computer hardware and software fund	14,212,724	13,076,238	12,113,861	10,466,092	8,787,296
Sayward gravel pit fund	215,637	218,114	463,521	858,502	1,208,575
Specific area capital project fund	2,372,857	2,338,982	2,289,489	2,509,870	2,547,949
Affordable Housing Fund	2,969,099	-	-	-	-
Water capital fund	5,949,429	6,058,564	8,553,067	8,719,401	4,385,085
Sewer capital fund	13,120,384	12,920,025	13,197,290	12,471,548	5,460,124
Development cost charge program municipal responsibility reserve	2,457,571	1,800,000	1,200,000	600,000	-
Receivable reserves	556,261	370,064	171,735	-	-
	130,979,595	144,517,171	131,096,475	127,021,100	97,723,008
Reserve surpluses:					
Insurance	2,000,000	2,000,000	2,315,300	2,315,300	2,315,300
Future expenses	8,707,750	10,569,012	9,914,795	11,688,540	15,553,800
Working capital	4,450,000	4,450,000	4,450,000	4,450,000	4,450,000
	15,157,750	17,019,012	16,680,095	18,453,840	22,319,100

Financial position

(unaudited)

	2024	2023	2022	2021	2020
Financial assets	352,477,417	338,462,674	308,989,925	293,465,069	289,878,807
Financial liabilities	213,866,384	168,677,822	141,726,153	135,325,811	149,993,637
Net financial assets	138,611,033	169,784,852	167,263,772	158,139,258	139,885,170

THE CORPORATION OF THE DISTRICT OF SAANICH

STATISTICAL SECTION

Accumulated surplus

(unaudited)

	2024	2023	2022	2021	2020
Annual surplus	35,212,103	52,905,689	35,829,406	40,978,228	29,225,074
Accumulated surplus, beginning of year	1,171,328,357	1,118,755,433	1,082,926,027	1,041,947,799	1,012,722,725
Accumulated surplus, end of year	1,206,540,460	1,171,661,122	1,118,755,433	1,082,926,027	1,041,947,799

Debt

(unaudited)

	Amount of Issue			
	Authorized	Unissued and Unsold	2024 Outstanding	2023 Outstanding
General Government				
IT Equipment	2,111,854	-	2,111,854	2,436,777
Municipal Hall Renovations	848,000	-	848,000	440,000
Land	25,800,000	-	25,800,000	100,000
	28,759,854		28,759,854	2,976,777
Engineering and Public Works:				
Roads	19,871,996	-	19,871,996	19,155,856
Drains	15,014,893	-	15,014,893	16,121,486
	34,886,889	-	34,886,889	35,277,342
Refuse collection	1,041,045	-	1,041,045	1,510,375
Recreation, Parks, and Cultural Services:				
Equipment	1,587,771	-	1,587,771	1,358,322
Recreation facilities	329,277	-	329,277	416,921
Parks and trails	6,175,939	-	6,175,939	6,037,745
	8,092,987	-	8,092,987	7,812,988
Protective services	-	-	-	-
Other (energy retrofit/school)	366,680	-	366,680	458,350
Accrued actuarial gain	(205,506)	-	(205,506)	(188,401)
General capital fund	72,941,949	-	72,941,949	47,847,431
General operating fund (ROBP)	377,391	-	377,391	460,780
Sewer construction	9,382,227	-	9,382,227	9,483,525
Accrued actuarial gain	(66,146)	-	(66,146)	(55,895)
Sewer capital fund	9,316,081	-	9,316,081	9,427,630
	82,635,421	-	82,635,421	57,735,841

THE CORPORATION OF THE DISTRICT OF SAANICH

STATISTICAL SECTION

Debt charges (unaudited)

	2024			2023
	Interest	Principal Instalments	Total	Total
General Government				
IT Equipment	119,190	702,542	821,732	309,144
Land	1,245,848	-	1,245,848	109,023
	1,365,038	702,542	2,067,580	418,167
Engineering and Public Works:				
Roads	763,762	1,129,466	1,893,228	1,335,922
Drains	606,929	1,559,102	2,166,031	1,780,601
Local improvements	-	-	-	-
Other	-	-	-	-
	1,370,691	2,688,568	4,059,259	3,116,523
Refuse collection	140,726	329,745	470,471	479,745
Recreation, Parks, and Cultural Services:				
Equipment	65,100	280,451	345,551	154,668
Recreation facilities	13,056	86,997	100,053	108,934
Parks	214,556	412,984	627,540	574,090
Other	-	-	-	-
	292,712	780,432	1,073,144	837,692
Protective services:	-	-	-	-
Royal Oak Burial Park	58,500	31,428	89,928	77,554
Debt charges recovery	(58,500)	(31,428)	(89,928)	(77,554)
	3,169,167	4,501,287	7,670,454	4,852,127
Interest allowed on prepaid taxes	447,959	-	447,959	314,071
Other	25,549	-	25,549	21,516
	3,642,675	4,501,287	8,143,962	5,187,714

Debt (unaudited)

	2024	2023	2022	2021	2020
General	73,319,340	48,308,212	37,667,794	38,420,780	38,635,088
Sewer utility	9,316,081	9,427,630	8,945,971	9,403,622	10,155,240
Total outstanding debt	82,635,421	57,735,842	46,613,765	47,824,402	48,790,328
Estimated debt limit	704,000,000	648,000,000	573,000,000	620,000,000	671,000,000
Legal debt servicing limit	67,845,865	67,921,449	61,154,202	56,558,096	53,623,777
Population (BC Stats)	125,436	129,786	125,853	124,639	125,107
Debt per capita	659	445	370	384	390
Debt charges as a percentage of expenses	3.3%	2.5%	2.5%	2.4%	2.5%

Note: Numbers on this page are updated from District of Saanich internal departments, except for the Estimated Population [source: BC Statistics] and Number of Properties [source: BC Assessment].

THE CORPORATION OF THE DISTRICT OF SAANICH

STATISTICAL SECTION

Miscellaneous information and demographic statistics

(unaudited)

	2024	2023	2022	2021	2020
Area of municipality - land and Water	11,178 Hec				
Estimated population	125,436	129,786	125,853	124,639	125,107
Greater Victoria unemployment rate	3.1%	3.7%	3.8%	4.9%	7.8%
Average household income	117,100	117,100	117,100	117,100	117,100
Voter's list electors	87,353	89,654	89,654	86,656	86,656
Number of properties	41,592	41,508	41,480	41,388	41,130
Number of public parks	172	172	172	171	171
Area of public parks and open spaces	1,788 Hec	1,788 Hec	1,788 Hec	1,778 Hec	1,762 Hec
Trail networks	111 km	111 km	110 km	110 km	110 km
Surfaced roads	577 km	576 km	576 km	574 km	574 km
Marked bicycle lanes	180 km	188 km	188 km	182 km	180 km
Storm sewers	578 km	580 km	578 km	578 km	576 km
Sanitary sewers	570 km				
Water mains	547 km	548 km	548 km	547 km	547 km
Water services	30,130	30,228	30,497	30,185	30,128
Fire hydrants	2,355	2,345	2,333	2,327	2,305
Business licences	5,773	5,652	4,931	4,741	4,776
Number of District of Saanich employees	1,984	1,862	1,659	1,584	1,757
Building Permits issued					
Number of single family and duplex	76	69	98	100	86
Dollar value of single family and duplex	55,774,000	48,242,000	67,250,000	72,760,000	52,516,000
Number of other permits	473	539	531	614	640
Dollar value of other permits	286,837,000	303,421,000	90,125,000	253,426,000	243,371,000
Total permits issued	549	608	629	714	726
Total value of permits issued	342,611,000	351,663,000	157,375,000	326,186,000	295,887,000

Note: Numbers on this page are updated from District of Saanich internal departments, except for the Estimated Population & Unemployment Rates [source: BC Statistics], Average Household Income [source: Statistics Canada 2021 & 2016 Census updated every 5 years] and Number of Properties [source: BC Assessment].

THE CORPORATION OF THE DISTRICT OF SAANICH

STATISTICAL SECTION Capital expenses by source (unaudited)

	2024	2023	2022	2021	2020
Capital fund:					
Operating fund	15,599,879	13,880,834	14,470,277	14,831,949	10,103,795
Reserves	43,524,313	23,008,037	19,759,309	14,242,139	14,441,846
Development cost charges	2,497,403	2,706,827	1,946,830	1,206,823	1,046,534
Developer/public	1,599,244	4,549,598	6,377,416	4,263,672	2,870,201
Grants & contributions	3,541,965	4,346,022	1,983,622	1,090,739	682,916
Debt	29,995,770	14,687,413	2,865,000	3,325,150	6,571,100
	96,758,574	63,178,731	47,402,454	38,960,472	35,716,392
Sewer capital fund:					
Operating fund	3,994,360	4,344,972	4,251,934	4,251,051	2,723,782
Reserves	162,098	-	-	-	514,800
Development cost charges	28,700	584,888	364,419	166,561	660,883
Developer/public	343,067	516,314	417,423	432,427	404,378
Grants & contributions	31,104	-	-	-	-
Debt	800,000	1,300,000	700,000	-	2,300,000
	5,359,329	6,746,174	5,733,776	4,850,039	6,603,843
Water capital fund:					
Operating fund	7,943,948	4,725,753	7,635,758	5,851,732	6,118,241
Reserves	278,627	2,672,000	-	-	-
Development cost charges	220,866	486,657	843,414	68,114	43,658
Developer/public	1,246,198	1,181,474	760,165	2,812,368	899,533
Grants & contributions	27,289	-	9,650	45,978	-
	9,716,928	9,065,884	9,248,987	8,778,192	7,061,432

THE CORPORATION OF THE DISTRICT OF SAANICH

ANNUAL DEVELOPMENT COST CHARGES REPORT

For 2024

(unaudited)

As per the *Local Government Act, Part 14, Division 19, Section 569 (1)*, a municipality is to report on development cost charges collected and used during the fiscal period. The following table shows the activity for 2024.

Development Cost Charge Reserve Funds

	Beginning Balance	Fees Collected	Project Appropriations	Interest Earned	Ending Balance	Waivers and Reductions
Area Wide - Sewer	\$56,939	\$380,028	\$(28,700)	\$17,559	\$425,826	-
Area Wide - Water	1,095,418	254,751	(220,866)	48,569	1,177,872	-
Area Wide - Drains	27,780	159,619	(114,007)	3,157	76,549	-
Area Wide - Roads	2,540,625	1,067,175	(2,246,324)	58,555	1,420,031	-
Cordova Bay - Roads	5,180,628	-	(2,885)	222,686	5,400,429	-
Area Wide Parks	4,311,388	1,002,171	(97,734)	224,324	5,440,149	-
Parks S.E. Comm. Area	590,464	-	-	25,395	615,859	-
Parks N.E. Comm. Area	469,090	-	-	20,175	489,265	-
Parks N.W. Comm. Area	1,333,099	-	(36,453)	55,766	1,352,412	-
	<u>\$15,605,431</u>	<u>\$2,863,744</u>	<u>\$(2,746,969)</u>	<u>\$676,186</u>	<u>\$16,398,392</u>	<u>-</u>

THE CORPORATION OF THE DISTRICT OF SAANICH

PERMISSIVE TAX EXEMPTIONS GRANTED FOR 2024

Total tax levy for Saanich and other authorities

(unaudited)

Organization	2024 Taxes
Places of Public Worship	
St. David By The Sea Anglican Church	\$ 20,019
St. Joseph's Catholic Church	22,889
Christ Community Christian Reformed Church	39,605
Christian Reformed Church	58,499
Cordova Bay United Church	50,105
Cornerstone Pentecostal Church	17,412
Croatian Catholic Church St Leopold Mandic	24,302
Elk Lake Baptist Church	36,363
Gateway Baptist Church	60,814
Holy Cross Catholic Church	58,715
Hope Lutheran Church	21,788
Iglesia Ni Cristo Church of Christ	25,779
Lambrick Park Church	39,706
Lion of Judah Ministries	57,136
Lutheran Church of the Cross	36,042
New Apostolic Church	2,797
New Life Community Fellowship	25,095
North Douglas Pentecostal Church	56,474
Our Lady Fatima Catholic Church	32,947
Parish of Saint John The Evangelist	8,015
Saanich Baptist Church	65,710
Saanich Community Church Mennonite Brethren	36,749
Sacred Heart Catholic Church	57,605
Salvation Army Victoria Citadel	206,130
Seventh-Day Adventist Church	64,585
Shelbourne Street Church Of Christ Society	28,023
St Aidan's United Church	34,000
St Dunstan's Anglican Church	24,231
St Luke's Anglican Church	52,081
St George's Anglican Church	44,602
St. Michael's Anglican Church	31,990
St. Peter's Anglican Church	10,942
The Church of Jesus Christ of Latter-Day Saints	62,533
The Trustees of Knox Presbyterian Church	20,379
The Victoria Christadelphian Ecclesia	27,397
Trustees of The Prospect Lake Congregation of Jehovah's Witnesses	16,510
Trustees of The Trinity Presbyterian Church	7,312
Unitarian Church of Canada	64,803
United Church of Canada	387
Victoria and Vancouver Island Greek Community Church	59,104
Victoria First Church of The Nazarene	52,411
Victoria Full Gospel Fellowship	24,966
Victoria Rim Alliance Church	15,881
Westview Gospel Chapel	15,695
	1,718,528

THE CORPORATION OF THE DISTRICT OF SAANICH

PERMISSIVE TAX EXEMPTIONS GRANTED FOR 2024 (CONTINUED)

Total tax levy for Saanich and other authorities

(unaudited)

Sport	
District of Saanich (Viewmont Tennis Courts)	39,014
Power To Be	110,431
Saanich Health & Physical Endeavors Society	42,742
Victoria Canoe & Kayak Club	9,450
Victoria Rowing Society	39,699
	241,336
Community Activity Centres	
Cordova Bay Community Club	38,584
The District of Saanich (Nature Trust Of BC)	34,371
Garth Homer Foundation	106,266
Goward House Society	87,579
Greater Victoria Public Library Board	41,375
Saanich Neighbourhood Place	14,723
Shekinah Homes Society	12,012
Victoria United Chapter Society	16,514
	351,424
Cultural Organizations	
Crown Provincial (Hallmark Heritage Society)	4,352
Jewish Community Centre of Victoria	28,644
Ukrainian Canadian Cultural Society	47,461
Vancouver Island Netherlands Association	35,104
	115,561
Agricultural Organizations	
Capital City Allotment Association	37,038
Haliburton Community Organic Farm Society	42,971
Horticulture Centre of The Pacific	249,490
	329,499
Community Service Organizations	
Artscalibre Foundation Society	30,762
Burnside Gorge Community Association	12,517
Canadian Centre of Learning for Maitreya Missionary	4,848
Children's Health Foundation of Vancouver Island	281,010
Girl Guides of Canada	48,403
Gordon Head Mutual Improvement Society	13,491
Habitat For Humanity (Restore)	66,724
Prospect Lake Community Association	20,812
Scout Properties (BC/Yukon)	47,607
Society of St. Vincent de Paul of Vancouver Island	50,915
The Cridge Centre For The Family	15,355
The District of Saanich (Saanich Police)	83,262
The First Cedar Hill Hall Society (Boy Scouts)	17,004
Victoria Humane Society	14,173
Victoria Native Friendship Centre	198,812
	905,695

THE CORPORATION OF THE DISTRICT OF SAANICH

PERMISSIVE TAX EXEMPTIONS GRANTED FOR 2024 (CONTINUED)

Total tax levy for Saanich and other authorities (unaudited)

Community Housing Organizations	
Baptist Housing Mount View Heights Care Society	160,497
Broadmead Care Society	18,252
Independent Living Housing Society	135,169
Island Community Mental Health Association	11,525
Luther Court Society	16,778
Victoria Association For Community Living	15,054
	357,275
Affordable Housing	
Baptist Housing Society of BC	56,626
Beacon Community Association	7,664
Broadmead Care Society	29,168
Dawson Heights Housing Ltd	101,684
Greater Victoria Housing Society	35,408
More Than A Roof Housing Society	14,418
Mount Douglas Seniors Housing Society	49,835
Pacifica Housing Advisory Association	57,253
Society of St. Vincent de Paul of Vancouver Island	39,169
St. Peter's Society	6,479
	397,704
Natural Area Preservation	
Hunter, Frances	188
	188
Total Permissive Tax Exemptions For 2024	\$ 4,417,210





The Corporation of the District of Saanic

Audit Findings Report
for the year ended December 31, 2024

KPMG LLP

Prepared for the meeting on May 2, 2025

kpmg.ca/audit



KPMG contacts

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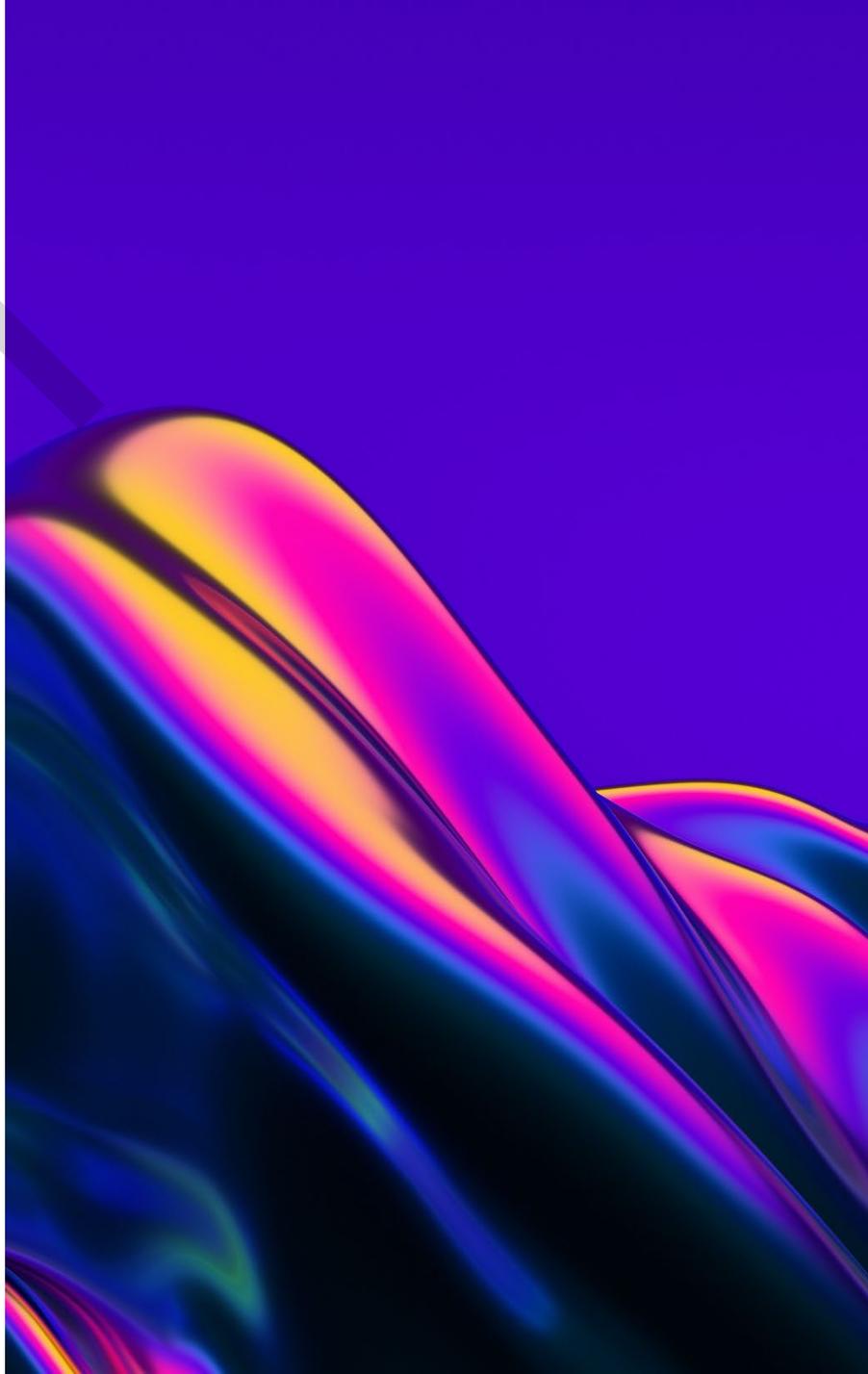


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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

4	Highlights	5	Status	6	Materiality	8	Risks and results
14	Misstatements	15	Control deficiencies	17	Policies and practices	18	Appendices

The purpose of this report is to assist you, as a member of the Finance and Governance Standing Committee (“the Committee”), in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2024. This report is intended solely for the information and use of Management, the Committee, and Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit highlights



No matters to report



Matters to report – see link for details

Scope

Our audit of the financial statements (“financial statements”) of the Corporation of the District of Saanich (the “District” or “Entity”) as at and for the year ended December 31, 2024, was performed in accordance with Canadian generally accepted auditing standards.

Status

We have completed the audit of the financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Materiality

For the current period, we have determined a materiality of \$6,500,000 (2023 - \$6,000,000). We include in this report any differences arising from our audit greater than \$325,000.

Risks assessment and results

Significant risks
No significant risks to report beyond those required by professional standards

Other areas of focus

Going concern matters

Uncorrected misstatements

Uncorrected misstatements

We identified one misstatement that remains uncorrected which is recurring from previous years.

Corrected misstatements

Corrected misstatements

We made minor presentation and disclosure recommendations which were accepted by management and included in the financial statements.

Control observations

Control observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We provide an update on other observations identified in previous years.

Policies and practices

Accounting policies and practices

Other financial reporting matters



Status

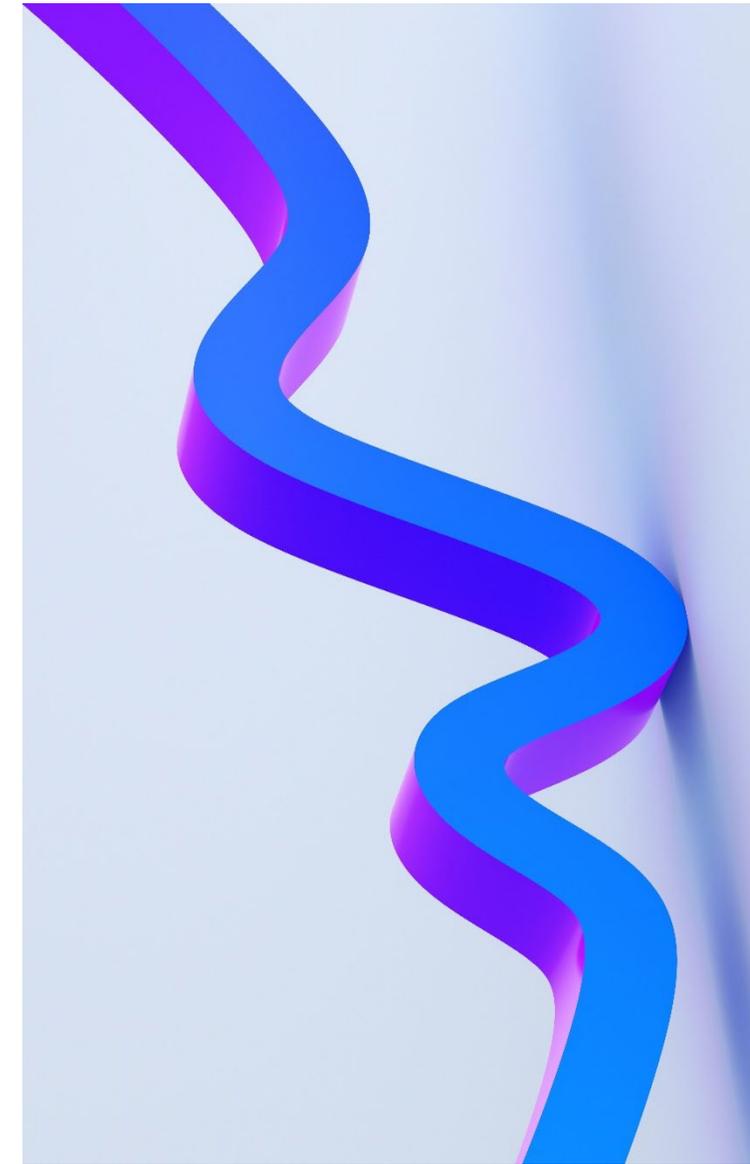
As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Receiving legal confirmations from the District's external legal counsels
- Receiving reliance letter response from the District's actuarial specialists
- Completing our discussions with the Finance and Governance Standing Committee
- Obtaining evidence of Council's acceptance of the financial statements
- Obtaining a signed management representation letter
- Completing subsequent event review procedures up to the date of Council's acceptance of the financial statements.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

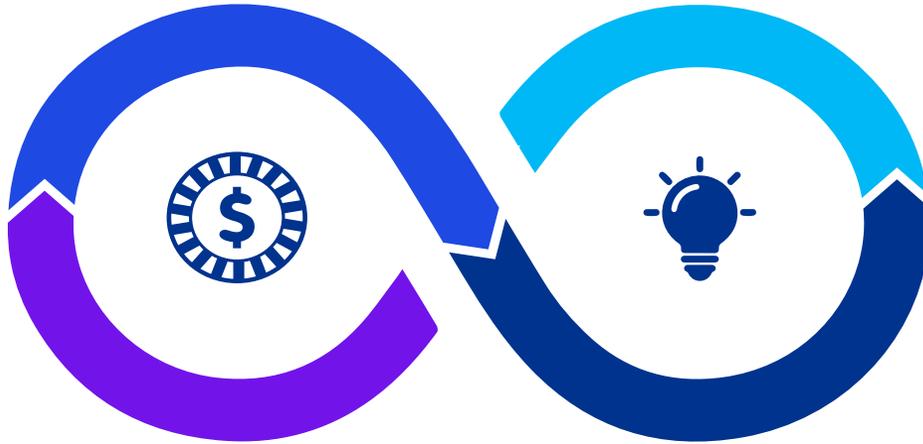
Our auditor's report, a draft of which is included in the draft financial statements, will be dated upon the completion of any remaining procedures.

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Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



Materiality



Total Expenses
\$258.0 million
(2023: \$230.7 million)

% of Benchmark
2.52%
(2023: 2.60%)

Audit Misstatement Posting Threshold
\$325,000
(2023: \$300,000)



Significant risks



Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF



FRAUD

**Presumption
of the risk of fraud
resulting from
management
override of controls**

Why is it significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Our response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

There were no issues noted in our testing.



Required inquiries



Inquiries regarding risk assessment, including fraud risks

- What are the Finance and Governance Standing Committee's ("the Committee") views about fraud risks, including management override of controls, in the District? And have you taken any actions to respond to any identified fraud risks?
- Is the Committee aware of, or has the Committee identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
 - If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Committee exercise oversight of the District's fraud risks and the establishment of controls to address fraud risks?



Inquiries regarding Authority processes

- Is the Committee aware of tips or complaints regarding the District's financial reporting (including those received through the Committee's internal whistleblower program, if such programs exist)? If so, the Committee's responses to such tips and complaints?



Inquires regarding related parties and significant unusual transactions

- Is the Committee aware of any instances where the District entered into any significant unusual transactions?
- What is Committee's understanding of the District's relationships and transactions with related parties that are significant to the District?
- Is the Committee concerned about those relationships or transactions with related parties? If so, the substance of those concerns?



Other areas of focus



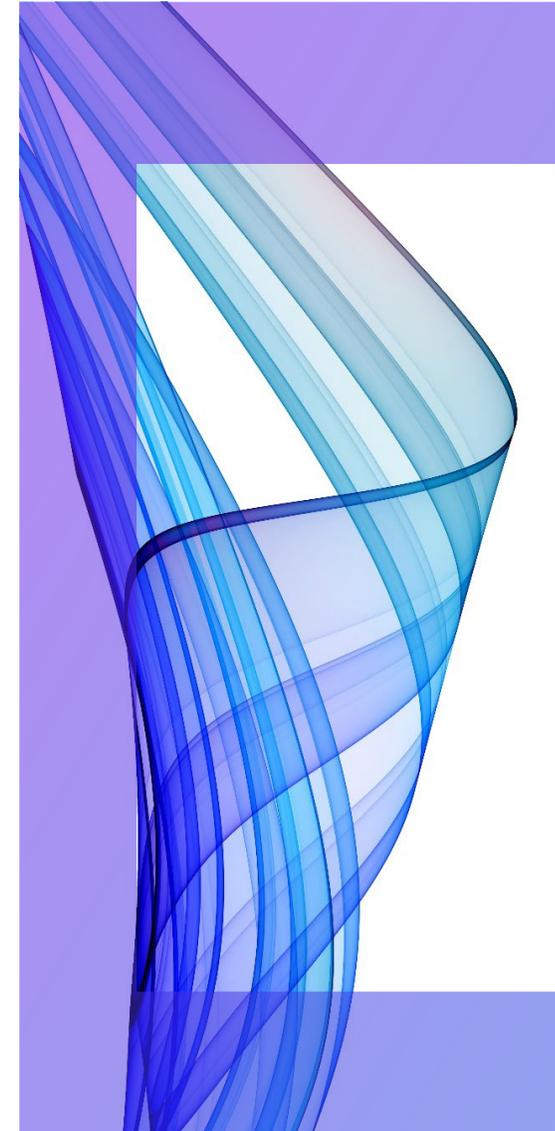
Government transfers, revenue and deferred revenue

Our response

- We updated our understanding of the process activities and controls over government transfers, revenue and deferred revenue.
- We performed analytical procedures over tax revenues, sales of services, revenue from own sources, sale of water and sewer user charge.
- We selected a sample of government transfers received and government transfers recognized as revenue and obtained supporting documentation to validate the appropriateness of accounting treatment either as revenue or as deferred revenue.
- We assessed revenue recognition in accordance with the requirements of public sector accounting standards including government transfers.
- We obtained an understanding of management's process for implementing PS 3400 *Revenue*. The District has implemented this accounting standard retroactively, resulting in a decrease of \$332,765 to opening accumulated surplus. The deferral arises from recreation punch cards that have been purchased and recognized entirely as revenue on cash receipt. The new standard requires the unused portion of passes be recognized as deferred revenue. Based on management's analysis of District revenue sources, punch cards were the only area impacted by the new standard because accounting for other revenue sources was already aligned with requirements of the new standard. We reviewed financial statement presentation and note disclosures for consistency with the requirements of PS 3400.

Findings

- We noted no issues as a result of our testing.





Other areas of focus



Tangible capital assets

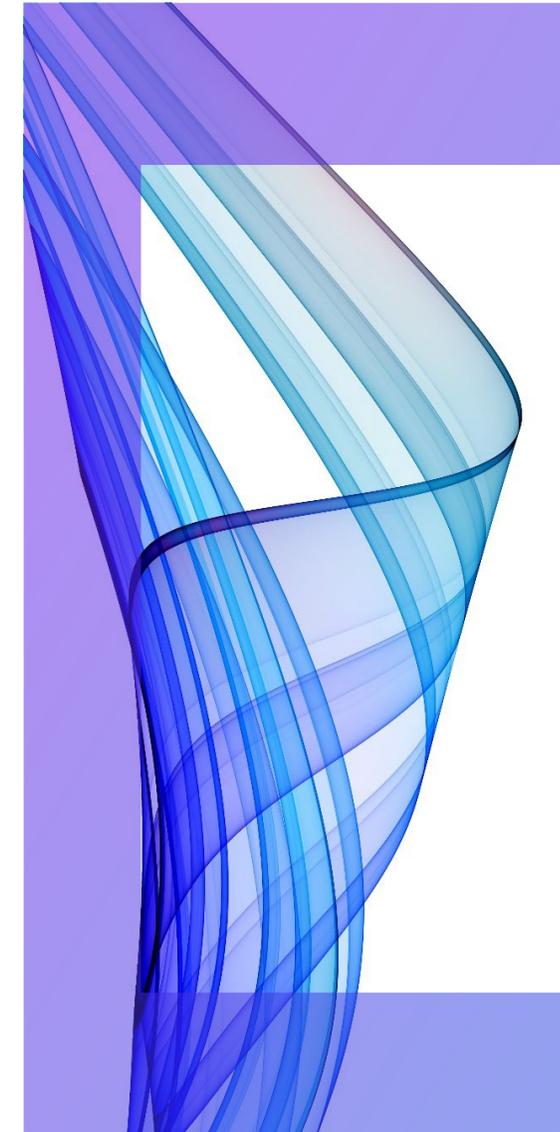
Tangible capital asset additions during 2024 totaled \$93.2M. This included investments in land, vehicles, machinery and equipment as well as drainage, roads, water and sewer infrastructure.

Our response

- We updated our understanding of the process activities and controls over capital asset transactions.
- We tested a sample of tangible capital asset additions by agreeing a sample of additions to supporting invoices and payment. This included \$25 million of property purchases at Lochside Drive for the redevelopment of the Saanich Operations Centre.
- For assets put into service, we validated the date put into service, as well as confirmed that the amortization method and useful life was consistent with the District's amortization policy.
- At December 31, 2024, \$103.3M of capital assets were under construction and not yet ready for use. We selected a sample of additions during the year and compared the amounts recorded as additions to supporting third party evidence.
- We performed an analytical procedure over amortization expense by comparing the current year expense, adjusting for current year additions, to prior year.
- We assessed asset retirement obligations for activity impacting recognition and valuation in the year – remediation to reduce future liabilities, new obligations identified and assumptions used in the valuation of estimated liabilities.
- We discussed with management the impact of adopting PS3160 *Public private partnerships* and PSG-8 *Purchased intangibles*. The District does not have any contracts which fall under the public private partnerships guidelines and does not have any purchased intangibles. There was no impact on adoption of these standards.

Findings

- We noted no issues as a result of our testing.





Other areas of focus



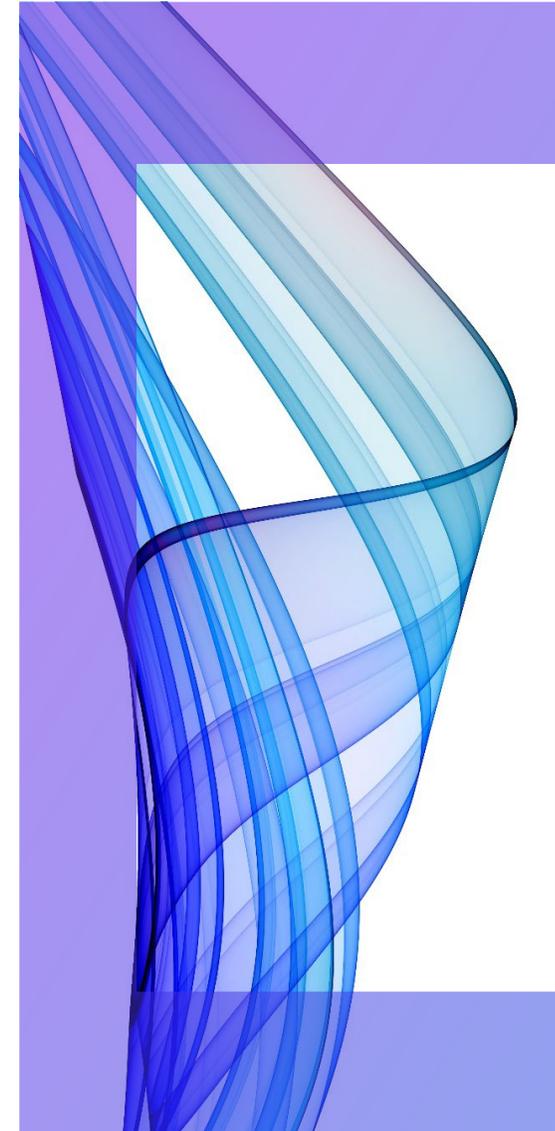
Salaries and benefits

Our response

- The District's largest expense relates to salaries and benefits. A significant portion of salaries are determined based on collective agreements. The effective date of the collective agreements varies between Unions and can be expired for a period of time prior to reaching a new agreement.
- When a collective agreement has expired and employees are working under the terms of the previous agreement, management estimates the cost of service provided in the year that may be adjusted in future years (retroactive pay) once a new collective agreement is ratified.
- The CUPE collective agreement remained in effect for the period January 1, 2022 to December 31, 2024.
- The Police collective agreement remained in effect for the period January 1, 2023 to December 31, 2024.
- The Fire collective agreement concluded on December 31, 2022 and a new agreement is under discussion as at the date of this report.
- The District also recognizes a liability and expense for employee benefits earned in the current year that will be paid in future years, such as retirement gratuities, unused sick banks, overtime and vacation. The amount of liability recognized is \$22.3M at December 31, 2024, and is estimated based on a number of factors such as utilization rates, retirement age, salary escalation rate, inflation and discount rate.

Response and findings

- We assessed management's estimates of payroll expense and accruals.
- We inspected the report prepared by the actuary to support the amount recognized as employee benefit obligations in the financial statements and tested the accuracy of the employee data used to estimate the liabilities such as years of service and duration to retirement.
- We noted no issues as a result of our testing.





Other areas of focus



Cash and investments and debt

Response and findings

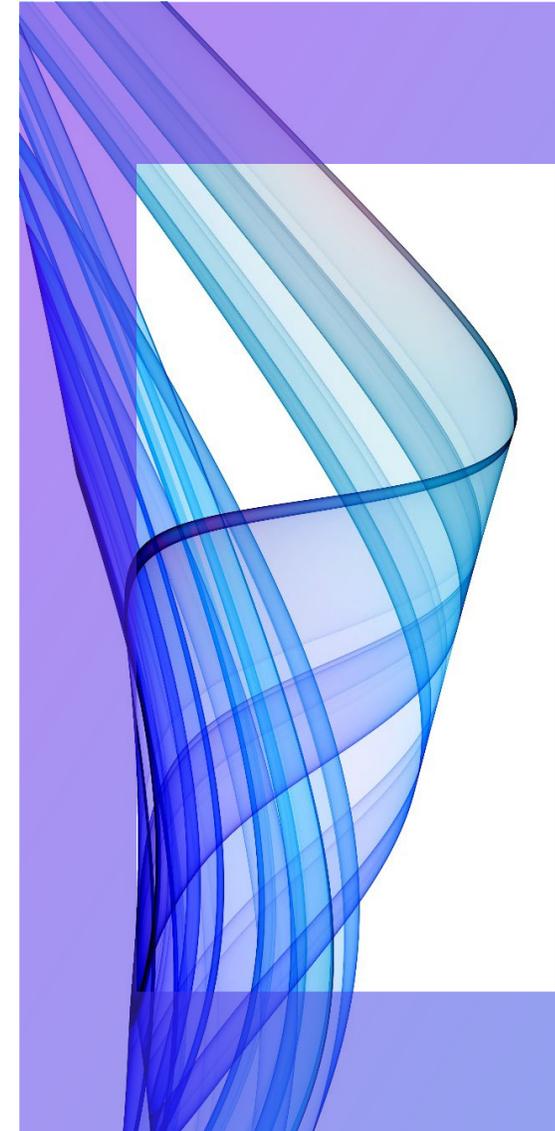
- We confirmed the balances with the respective financial institutions and MFA.
- We inspected items noted on the bank reconciliation and agreed a sample to source documentation to verify timing of the transaction was recorded appropriately.
- We assessed the accuracy of investment income earned during the year based on principal invested and interest rate returns in effect during the year.
- We noted no issues as a result of our testing.



Expenses, procurement and payables

Response and findings

- We compared actual balances to expectations including prior year taking into account known significant transactions during the year.
- We performed a search for unrecorded liabilities by testing payments made subsequent to year end and assessing the completeness of liabilities and expenses.
- We noted no issues as a result of our testing.





Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.



Impact of uncorrected misstatements – Not material to the financial statements

- We identified one misstatement that remains unchanged:
 - Consistent with previous years, the District recognizes revenue from own sources and goods and services expenses for internally purchased services. The difference does not involve cash and is a recurring annual error where management has selected a policy that provides more useful information to users of the financial statements.
 - The amount of overstatement of revenue and expenses in 2024 is \$1,646,055.
- Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements—individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.



Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

We did not identify any significant deficiencies in internal control over financial reporting.



Other control observations

During the course of the audit and discussions with Management, we identified other control observations that are not significant deficiencies in internal control but that we would like to communicate to Council.

Item	Observation
Capital asset tracking	<ul style="list-style-type: none">- During our testing of tangible capital assets, we noted the District's tangible capital asset tracking process is manual in nature, tracked only through spreadsheets and updated once per year during the year-end closing process.- With a manual tracking process, there is greater risk of human error in the value of tangible capital assets and transactions. We recommend management considers automating the manual system of compiling capital asset additions, disposals and developer contributed assets. The use of an automated system to perform this function would reduce the risk of completeness and the possibility of manual overrides, input errors and mathematical errors.- There have been no changes to the District's tangible capital asset tracking process during the year ended December 31, 2024. We continue to recommend consideration of technology enabled tools for capital asset tracking and monitoring.



Accounting policies and practices

We also highlight the following:



Significant accounting policies



- Management adopted PS 3400 *Revenue* during the year using the retroactive method. There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the District's transactions in relation to the period in which they were recorded other than previously discussed in this report.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transactions and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



Significant accounting estimates



- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.



Significant qualitative aspects of financial statement presentation and disclosure



- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.

Appendices

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Required
communicated

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Management
representation letter

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Audit quality

4

Changes in audit
standards

5

Changes in
accounting standards

6

Thought leadership

DRAFT





Appendix 1: Required communications



Auditor's report

Refer to the draft report attached to the financial statements.

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter.



Independence

As required by professional standards, we have considered all relationships between KPMG and the Entity that may have a bearing on independence. We confirm that we are independent with respect to the Entity within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation from January 1, 2024 up until the date of this report.

Management representation letter

We will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter is attached.



Appendix 2: Management representation letter

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Appendix 3: Audit quality - How do we deliver audit quality?

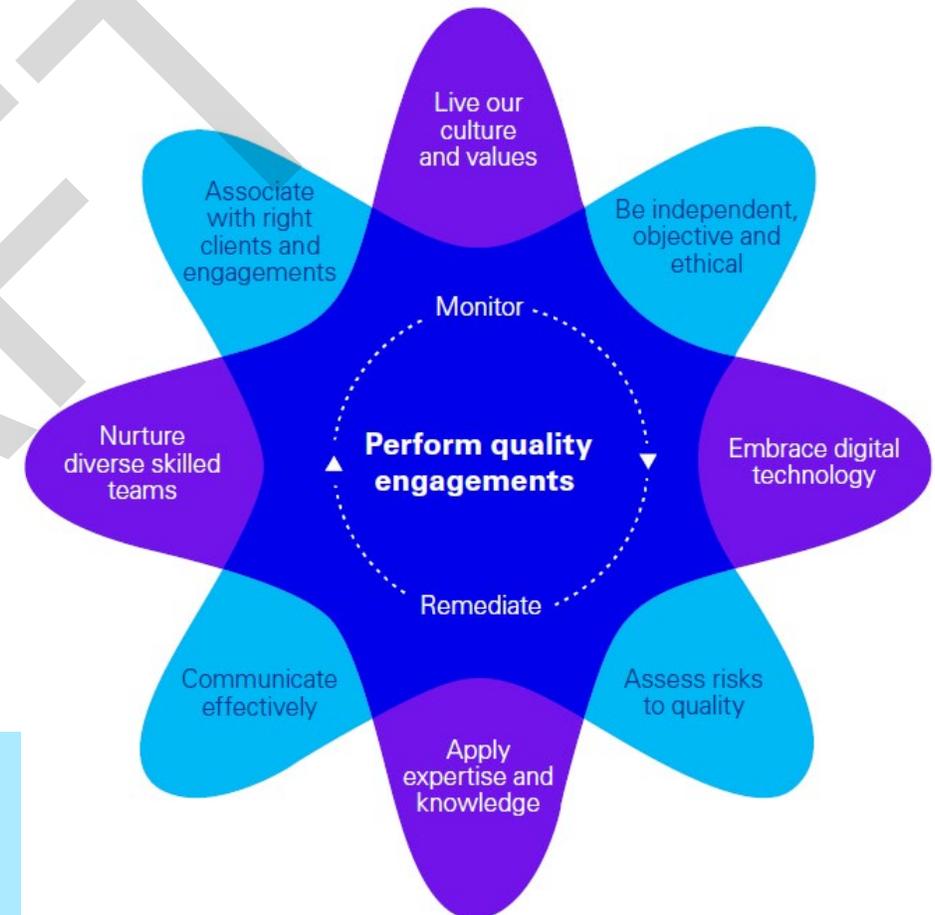
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:

 [KPMG Canada Transparency Report](#)

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Doing the right thing. Always.



Appendix 4: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments 

Effective for periods beginning on or after December 15, 2023

None noted at this time that are applicable to the audit of the District.

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

.....
Communications with those charged with governance

ISA 700/CAS 700

.....
Forming an opinion and reporting on the financial statements

Click here for information about CAS 260 and CAS 700 from CPA Canada:

[Amended CAS 260 and CAS 700](#)



Appendix 5: New accounting standards

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> The revised Conceptual Framework is effective for fiscal years beginning on or after April 1, 2026 with early adoption permitted. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none"> The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption is permitted. The proposed section includes the following: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. Separating liabilities into financial liabilities and non-financial liabilities. Restructuring the statement of financial position to present total assets followed by total liabilities. Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. A new provision whereby an entity can use an amended budget in certain circumstances. Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.



Appendix 5: New accounting standards (continued)

Standard	Summary and implications
Employee Benefits	<ul style="list-style-type: none"> • The Public Sector Accounting Board has issued proposed new standard PS 3251 <i>Employee benefits</i> which would replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • After evaluating comments received about the July 2021 exposure draft, a new re-exposure draft was released in October 2024. The re-exposure draft continues to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> as a starting point to develop the Canadian standard. • The proposed standard would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. • The re-exposure draft also proposes that fully funded post-employment benefit plans use a discount rate based on the expected market-based return of plan assets and unfunded plans use a discount rate based on the market yield of government bonds, high-quality corporate bonds or another appropriate financial instrument. A simplified approach to determining a plan's funding status is provided. • For most other topics, the re-exposure draft is consistent with the original exposure draft. A few exceptions are: <ul style="list-style-type: none"> • Deferral provisions – Remeasurement gains and losses will be presented as part of accumulated remeasurement gains and losses. • Valuation of plan assets – Public sector entities may continue to recognize non-transferable financial instruments that meet the definition of plan assets under existing PS 3250 guidance. • Joint defined benefit plans – Defined benefit accounting will be used for measurement of the proportionate share of the plan, instead of previously proposed multi-employer plan accounting which was based on defined contribution plan concepts. • Disclosure of other long-term employee benefits and termination benefits – The re-exposure draft does not include prescriptive disclosure requirements for other long-term employee benefits and termination benefits. • The proposed section PS 3251 <i>Employee benefits</i> will apply to fiscal years beginning on or after April 1, 2029. Early adoption will be permitted and guidance applied retroactively, with or without prior period restatement. • Comments on the re-exposure draft were due on January 20, 2025. The re-exposure draft can be viewed at the following link: Click here



Appendix 5: New accounting standards (continued)

Standard	Summary and implications
Intangible assets	<ul style="list-style-type: none"> The Public Sector Accounting Standards Board has issued proposed new standard PS 3155 <i>Intangible Assets</i> which would replace Public Sector Guideline 8 <i>Purchased Intangibles</i>. The new standard would be effective for fiscal years beginning on or after April 1, 2030 with early adoption permitted. The standard will include foundational guidance on acquired and internally generated intangibles. It excludes intangible assets addressed in other public sector accounting standards and other intangible items such as exploration and extraction costs for non-renewable resources or intangible assets related to insurance contracts. The definition of “intangible assets” requires an intangible resource to be separate and identifiable from goodwill. It also requires that the entity has control over the intangible resource, future economic benefits flow from the intangible resource, and the intangible resource is the result of a past transaction and/or other events. Internally generated goodwill is not permitted to be recognized as an asset. An intangible resource is recognized when it meets the definition of an intangible asset and the asset’s cost can be measured in a faithfully representative way. The generation of the asset is classified into a research phase and a development phase. Expenditures from the research phase of an internally generated project are expensed. An intangible asset arising from the development phase can be recognized if it meets certain requirements. Intangible assets are initially measured at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired through a non-exchange transaction are measured at fair value as of the date it is acquired. Comments on the exposure draft are due on May 30, 2025. The exposure draft can be viewed at the following link: Click here
Cloud computing arrangements	<ul style="list-style-type: none"> As part of its intangible assets project, the Public Sector Accounting Standards Board is also developing guidance on cloud computing arrangements. To ensure the development of this accounting guidance reflects current practices and needs, a survey has been launched to gather insights. The survey will inform the Public Sector Accounting Board about the types of cloud computing arrangements being encountered, magnitude of costs, key arrangement terms, current accounting policies and unique challenges in practice. We encourage all entities to complete the survey by May 30, 2025, which is at the following link: Click here



Appendix 6: Thought leadership and insights

2024 Canadian CEO Outlook

KPMG interviewed more than 800 business owners and C-suite leaders across Canada on a variety of topics ranging from their top-of-mind concerns to their acquisition plans, the risks and rewards of artificial intelligence (AI), productivity, the omnipresent threat of cybercrime, and the impact of aging demographics on the workforce.

[Click here](#) to access KPMG's portal.

Future of Risk

Enterprises are facing an array of reputational, environmental, regulatory and societal forces. To navigate this complex landscape, the C-suite should seek to embrace risk as an enabler of value and fundamentally transform their approach. KPMG's global survey of 400 executives reveals that their top priorities for the next few years are adapting to new risk types and adopting advanced analytics and AI. As organizations align risk management with strategic objectives, closer collaboration across the enterprise will be essential.

[Click here](#) to access KPMG's portal.

Resilience Amid Complexity

In today's rapidly evolving and interconnected business landscape, organizations face unprecedented challenges and an increasingly complex and volatile risk landscape that can threaten their competitiveness and future survival. We share revealing real-world examples of how companies have overcome their challenges and emerged stronger as the rapid pace of change accelerates and look at the key components of KPMG's enterprise resilience framework and how it is helping these businesses build resilience and achieve their strategic objectives in an increasingly uncertain world.

[Click here](#) to access KPMG's portal.

Future of Procurement

Procurement is at an exciting point where leaders have the opportunity to recast their functions as strategic powerhouses. In this global report we examine how these forces may affect procurement teams and discuss how procurement leaders can respond – and the capabilities they will need to thrive. Our insights are augmented by findings from the KPMG 2023 Global Procurement Survey, which captured the perspectives of 400 senior procurement professionals around the globe, representing a range of industries.

[Click here](#) to access KPMG's portal.



Appendix 6: Thought leadership and insights (continued)

Artificial Intelligence in Financial Reporting and Audit

Artificial intelligence (AI) is transforming the financial reporting and auditing landscape, and is set to dramatically grow across organizations and industries. In our new report, KPMG surveyed 1,800 senior executives across 10 countries, including Canada, confirming the importance of AI in financial reporting and auditing. This report highlights how organizations expect their auditors to lead the AI transformation and drive the transformation of financial reporting. They see a key role for auditors in supporting the safe and responsible rollout of AI, including assurance and attestation over the governance and controls in place to mitigate risks.

[Click here](#) to access KPMG's portal.

Control System Cybersecurity Annual Report 2024

Based on a survey of more than 630 industry members (13% from government organizations), this report reveals that while the increase in cyberattacks is concerning, organizations have become more proactive in their cybersecurity budgets, focused on prevention, and acknowledging the threat of supply chain attacks. Furthermore, the report highlights a pressing need for skilled cybersecurity professionals in the face of escalating cyber threats. Explore the full report to help gain a clearer understanding of the growing cyber threat landscape and learn how to overcome the roadblocks to progress.

[Click here](#) to access KPMG's portal.

Cybersecurity Considerations 2024: Government and Public Sector

In every industry, cybersecurity stands as a paramount concern for leaders. Yet, for government and public sector organizations, the game of digital defense takes on a whole new level of intensity. The reason? The sheer volume and sensitivity of data they manage, which can amplify the potential fallout from any breach. These agencies are the custodians of a vast array of personal and critical data, spanning from citizen welfare to public safety and national security. This article delves into the pivotal cybersecurity considerations for the government and public sector. It offers valuable perspectives on critical focus areas and provides actionable strategies for leaders and their security teams to fortify resilience, drive innovation, and uphold trust in an ever-changing environment.

[Click here](#) to access KPMG's portal.



Appendix 6: Thought leadership and insights (continued)

Why the Public Sector Must Take the Lead in Sustainability Reporting

As the world prepares for the implementation of sustainability reporting standards from the International Sustainability Board (ISSB), the need for public sector leadership is pronounced. While governments around the world have collaborated on vital policy and regulatory solutions, they have yet to provide sustainability reporting for their own government reporting entities. This presents a major obstacle to global sustainability ambitions, particularly considering the vast physical infrastructure, non-renewable resources, rare earth elements, water and natural assets controlled by governments around the world. .

[Click here](#) to access KPMG's portal.

Fighting Modern Slavery in Canadian Supply Chain

The deadline for the first year of reporting under Canada's Fighting Forced Labour and Child Labour in Supply Chains Act (the Act) was May 31, 2024. Under the Act, eligible entities are required to publicly report on steps taken to reduce the risk of forced labour and child labour in their business and supply chain. KPMG in Canada reviewed 5,794 report submissions for the act to identify key takeaways.

[Click here](#) to access KPMG's portal.

ESG for Cities Webinar Series

Cities and municipalities play a crucial role to drive climate action and resilience measures, acting as stewards for the communities they serve – including their constituents, and public, private and non-profit organizations. With the physical impacts of climate changes – including floods, wildfires and droughts – accelerating in terms of both increased frequency and severity, city and municipal leaders are increasingly considering how they can tackle the multifaceted challenge of achieving net zero greenhouse gas (GHG) emissions by 2050. KPMG in Canada's Public Sector and ESG practices completed a three-part national webinar series focusing on the journey to net zero – from strategic planning and stakeholder engagement to the implementation at the asset and operational level, and subsequent reporting obligations.

[Click here](#) to access KPMG's portal.

Building a Successful Transformation Program

Today's government and public sector organizations have a rapidly evolving customer service relationship with the populations they serve. Canadians are used to finding and accessing information and services easily and conveniently through digital channels. When digital interactions don't meet expectations or become obstacles to program access, service delivery innovation and other stakeholder objectives are not met.

[Click here](#) to read KPMG's article.



Appendix 6: Thought leadership and insights (continued)

Unlocking Government's Technology Future

This article is based on data from the KPMG global tech report 2024 which includes the results of a survey of 118 senior government technology executives and decision-makers around the world. It shows that public sector organizations are building – and maintaining – change momentum, particularly in key capabilities such as cloud enablement, cyber security and data and analytics.

[Click here](#) to access KPMG's portal.

From Smart to Smarter Cities

Canadian cities are at a pivotal moment, evolving beyond basic “smart” solutions towards integrated, sustainable strategies that address challenges from resource efficiency to community engagement. KPMG's From Smart to Smarter Cities report highlights how Canadian leaders can embrace data-driven approaches and citizen-focused urban planning to reshape their cities.

[Click here](#) to access KPMG's portal.

Getting Nature into Financial Reporting

By integrating nature into financial reporting, local governments in Canada can plan for sustainable growth and get ahead of new accounting standards that are on the horizon. The new guide, Getting Nature into Financial Reporting, authored by the University of Waterloo's Intact Centre on Climate Adaptation, and supported by the Standards Council of Canada, KPMG LLP and Natural Assets Initiative, was developed with over 120 experts across the country. The guide outlines how local governments of all sizes can start integrating nature into their financial reports today.

[Click here](#) to access KPMG's portal.

AI in Finance

Artificial intelligence is rapidly transforming the finance landscape, moving beyond accounting and making significant inroads into financial reporting, management, planning and analytics. A report from KPMG International reveals that nearly three-quarters of finance teams across diverse industries and company sizes are already using AI to some degree to enhance their financial reporting processes, implementing AI across wider areas of finance, including financial planning, treasury management, risk management and tax operations.

[Click here](#) to read KPMG's article.



Appendix 6: Thought leadership and insights (continued)

Our latest thinking on the issues that matter most to the Committees, Board and management.

[KPMG Audit & Assurance Insights](#)

Curated research and insights for audit committees and boards.

[Board Leadership Centre](#)

Leading insights to help board members maximize boardroom opportunities

[Audit Committee Guide – Canadian Edition](#)

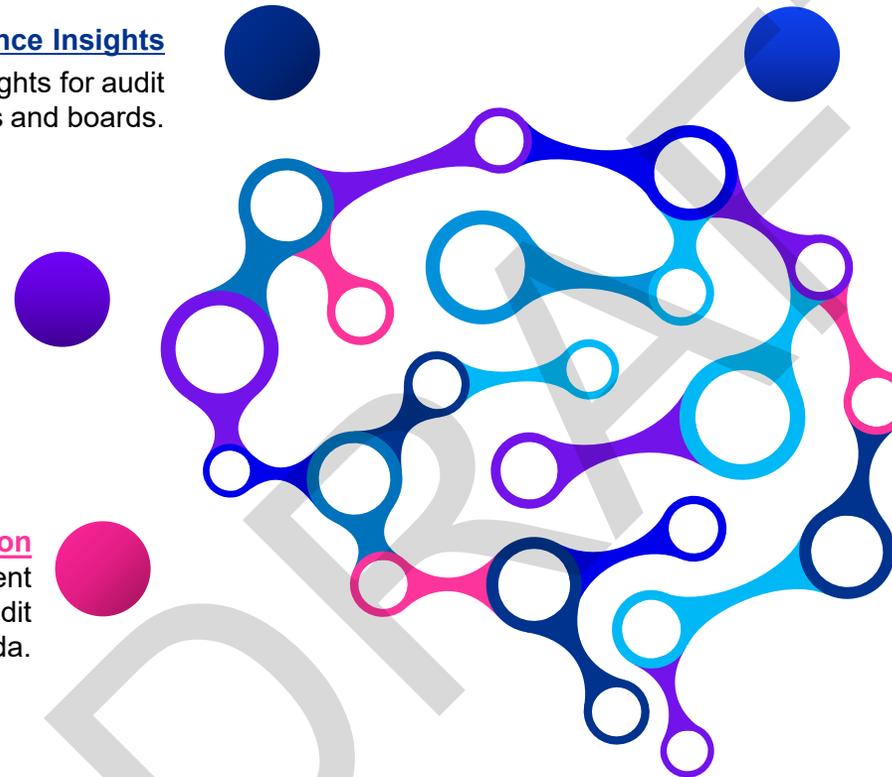
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

[Accelerate 2025](#)

The key issues driving the audit committee agenda in 2025.

[Sustainability Reporting](#)

Resource centre on implementing the new Canadian reporting standards





Appendix 6: Thought leadership and insights (continued)



KPMG research shows that:

Eighty-seven percent of IT decision makers believe that technologies powered by AI should be subject to regulation.

- Of that group, 32 percent believe that regulation should come from a combination of both government and industry.
- Twenty-five percent believe that regulation should be the responsibility of an independent industry consortium.

Ninety-four percent of IT decision makers feel that firms need to focus more on corporate responsibility and ethics while developing AI solutions.

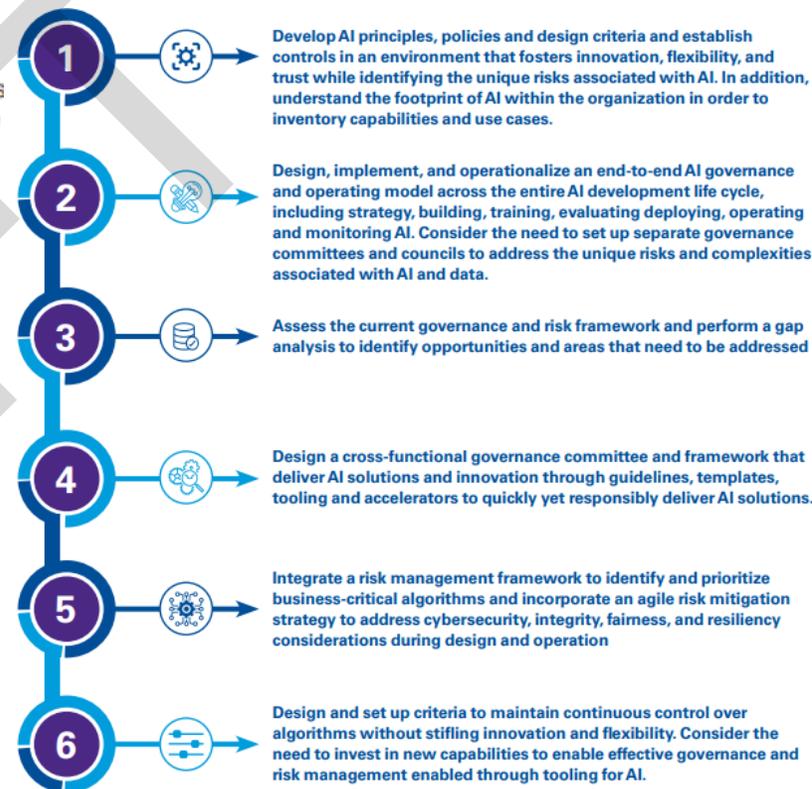
Source:

Per a study of 300 ITDMs from the UK and the US, conducted by Vanson Bourne on behalf of SnapLogic:

<https://www.businesswire.com/news/home/20190326005362/en/AI-Ethics-Deficit-%E2%80%94-94-Leaders-Call>

For AI solutions to be transformative, trust is imperative. This trust rests on four main anchors: integrity, explainability, fairness, and resilience. These four principles (enabled through governance) will help organizations drive greater trust, transparency, and accountability.

- 1. Integrity** — algorithm integrity and data validity including lineage and appropriateness of how data is used
- 2. Explainability** — transparency through understanding the algorithmic decision-making process in simple terms
- 3. Fairness** — ensuring AI systems are ethical, free from bias, free from prejudice and that protected attributes are not being used
- 4. Resilience** — technical robustness and compliance of your AI and its agility across platforms and resistance against bad actors



home.kpmg/ShapeofAIGovernance



Appendix 6: Thought leadership and insights (continued)

AI brings Risks as well as Opportunities

Internal Risks & Considerations

External Risks & Considerations



Breaking Confidentiality

Many Generative AI models are built to absorb user-inputted data to improve the model over time. This could lead to exposure of key confidential information



Employee Misuse and Inaccuracies

Models generate responses based on input, so there is a risk of providing false or malicious content. Employees need to be cautious and review AI-generated content with a critical



Talent Implications

Professionals need to be made aware of their role in training and evolving the solution as high-quality output can only be achieved through high-quality, expert queries



Policies and Regulations

As the world's understanding of AI evolves, more policies and regulations will be brought upon by regulators which in turn need to be complied with



Misinformation, Bias and Discrimination

The model could generate a response containing inappropriate information or language. In cases where the model does not have an accurate response, it may 'hallucinate' with a false response.



Financial, Brand & Reputational Risk

Copying AI-produced information or code into any deliverable or product could constitute copyright infringement leading to legal and reputational harm



Intellectual Property and Copyright

Risks in copyright includes the potential creation of unauthorized plagiarized content, leading to infringement and violations of intellectual property rights



Cybersecurity

Generative AI models could be trained and employed for many cybersecurity attacks such as phishing scams, malware, data poisoning etc.



<https://kpmg.com/ca/en/home.html>

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