

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
Consolidated Financial Statements

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(Audited)

**DECEMBER 31, 2020**

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

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THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

### **Statement of Responsibility**

The accompanying consolidated financial statements are the responsibility of the management of the District of North Cowichan and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative control designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The North Cowichan Municipal Council met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters before approving the consolidated financial statements.

KPMG LLP, as the Municipality's appointed external auditors, has audited the consolidated financial statements. The Auditor's report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the Municipality in accordance with Canadian public sector accounting standards.

  
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Talitha Soldera  
Director, Financial Services  
May 13, 2021



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 AUDITORS' REPORT

To the Mayor and Councilors of the Corporation of the District of North Cowichan

### ***Opinion***

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

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated 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 consolidated financial position of the Entity as at December 31, 2020 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

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

We are independent of the Entity 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.

### ***Other Matter – Comparative Information***

The financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 6, 2020.



### ***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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants

Victoria, Canada  
May 12, 2021

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

	2020 Actual	2019 Actual
<b>Financial Assets</b>		
Cash (Note 4)	\$ 2,251,706	\$ 2,266,463
Temporary investments (Note 4)	84,720,075	73,350,782
Accounts receivable (Note 5)	5,809,101	3,469,410
Deposit - Municipal Finance Authority (Note 9)	399,945	391,881
	<b>93,180,827</b>	<b>79,478,536</b>
<b>Financial Liabilities</b>		
Accounts payable and Accrued liabilities (Note 6)	9,066,329	4,657,259
Employee future benefits and compensation payable (Note 2)	3,719,981	3,901,220
Unearned revenue (Note 8)	7,230,049	5,826,092
Reserve - Municipal Finance Authority (Note 9)	399,945	391,881
Restricted reserves (Note 11)	13,599,768	11,848,893
Debenture debt (Note 13)	17,563,984	19,012,952
	<b>51,580,056</b>	<b>45,638,297</b>
<b>Net Financial Assets</b>	<b>41,600,771</b>	<b>33,840,239</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule X)	284,742,467	271,565,986
Inventory of supplies (Note 2)	525,752	539,943
Prepaid items	203,425	121,490
Property acquired for taxes (Note 2)	2,341,177	2,341,505
	<b>287,812,821</b>	<b>274,568,924</b>
<b>Accumulated Surplus (Note 15)</b>	<b>\$ 329,413,592</b>	<b>\$ 308,409,163</b>

Commitments and Contingent Liabilities (Note 14)

Approved by:




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T. Soldera  
Director, Financial Services

See accompanying notes to the financial statements.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
FOR THE YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

	2020 Budget (Note 16)	2020 Actual	2019 Actual
<b>Revenues</b>			
Taxation (Schedule I)	\$ 37,219,879	\$ <b>37,240,736</b>	\$ 36,103,076
Sales of services (Schedule II)	9,313,122	<b>9,268,220</b>	11,525,631
Other revenue from own sources (Schedule III)	1,554,097	<b>1,699,830</b>	1,964,092
Return on investments	635,892	<b>1,126,420</b>	1,401,890
Grants and government transfers (Schedule IV)	6,058,460	<b>8,977,994</b>	3,286,917
Collections from developers and others	1,118,051	<b>11,080,199</b>	2,595,164
Actuarial adjustments to debt	-	<b>433,412</b>	379,897
Net gain on sale of tangible capital assets	-	-	63,759
	<u>55,899,501</u>	<u><b>69,826,811</b></u>	<u>57,320,426</u>
<b>Expenses</b>			
General government services (Schedule V)	6,321,285	<b>6,002,079</b>	6,043,676
Protective services (Schedule VI)	10,821,899	<b>10,370,277</b>	10,015,012
Engineering and public works (Schedule VII)	10,980,878	<b>10,643,521</b>	10,400,515
Environmental health services (Schedule VIII)	1,835,350	<b>1,990,348</b>	1,746,068
Forestry	1,126,170	<b>849,501</b>	1,328,549
Community development	1,309,898	<b>1,168,202</b>	1,168,797
Recreation and cultural services (Schedule IX)	10,450,477	<b>9,449,782</b>	10,832,246
Water	4,279,212	<b>4,687,674</b>	4,614,827
Sewer	4,747,562	<b>3,660,999</b>	3,978,588
	<u>51,872,731</u>	<u><b>48,822,383</b></u>	<u>50,128,278</u>
<b>Annual Surplus</b>	<u>\$ 4,026,770</u>	<u><b>21,004,428</b></u>	<u>7,192,148</u>
<b>Accumulated surplus, beginning of year (Note 15)</b>		<u><b>308,409,164</b></u>	<u>301,217,015</u>
<b>Accumulated surplus, end of year (Note 15)</b>		<u><b>\$ 329,413,592</b></u>	<u>\$ 308,409,163</u>

See accompanying notes to the financial statements.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

	2020 Budget (Note 16)	2020 Actual	2019 Actual
<b>Annual Surplus</b>	\$ 4,026,770	\$ 21,004,428	\$ 7,192,148
Acquisition of tangible capital assets	-	(12,203,177)	(6,707,957)
Contributed tangible capital assets	-	(10,866,949)	(2,411,588)
Amortization of tangible capital assets	9,757,400	9,852,916	9,569,240
Net gain on sale of tangible capital assets	-	-	(63,759)
Net loss on sale of tangible capital assets	-	(3,144)	15,963
Proceeds on sale of tangible capital assets	-	15,842	70,074
Write-downs of tangible capital assets	-	28,032	124,817
	<u>9,757,400</u>	<u>(13,176,480)</u>	<u>596,790</u>
(Increase) decrease in prepaids	-	(81,935)	54,001
Decrease (increase) in inventories	-	14,191	(673)
Decrease in property acquired for taxes	-	328	-
	<u>-</u>	<u>(67,416)</u>	<u>53,328</u>
<b>Change in net financial assets</b>	13,784,170	7,760,532	7,842,266
<b>Net financial assets at beginning of year</b>	<u>33,840,238</u>	<u>33,840,239</u>	<u>25,997,973</u>
<b>Net financial assets at end of year</b>	<u>\$ 47,624,408</u>	<u>\$ 41,600,771</u>	<u>\$ 33,840,239</u>

See accompanying notes to the financial statements.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED DECEMBER 31, 2020, WITH COMPARITIVE INFORMATION FOR 2019

	<u>2020 Actual</u>	<u>2019 Actual</u>
<b>Operating transactions</b>		
Annual surplus	\$ 21,004,429	\$ 7,192,149
<b>Non-cash items included in surplus:</b>		
Amortization	9,852,916	9,569,240
Actuarial adjustment to debt	(433,412)	(379,897)
Write-downs of tangible capital assets	28,032	124,817
Net gain on sale of tangible capital assets	-	(63,759)
Net loss on sale of tangible capital assets	(3,144)	15,963
Contributed tangible capital assets	<u>(10,866,949)</u>	<u>(2,411,588)</u>
	19,581,872	14,046,925
Accounts receivable	(2,339,691)	75,134
Inventory of supplies	14,191	(673)
Prepaid items	(81,937)	53,996
Property acquired for taxes	328	-
Accounts payable	4,409,070	(185,811)
Employee future benefits and compensation payable	(181,239)	89,820
Unearned revenue	1,403,957	(160,860)
Restricted reserves	<u>1,750,875</u>	<u>1,680,614</u>
Cash provided by operating transactions	<u>24,557,426</u>	<u>15,599,145</u>
<b>Capital transactions</b>		
Proceeds on sale of tangible capital assets	15,842	70,074
Cash applied to acquire tangible capital assets	<u>(12,203,177)</u>	<u>(6,707,957)</u>
Cash applied to capital transactions	<u>(12,187,335)</u>	<u>(6,637,883)</u>
<b>Investing transactions</b>		
Temporary investments	<u>(11,369,293)</u>	<u>(9,400,396)</u>
Cash applied to investing transactions	<u>(11,369,293)</u>	<u>(9,400,396)</u>
<b>Financing transactions</b>		
Repayment of debenture debt	<u>(1,015,555)</u>	<u>(1,014,571)</u>
Cash provided by financing transactions	<u>(1,015,555)</u>	<u>(1,014,571)</u>
<b>Change in cash and cash equivalents</b>	(14,757)	(1,453,705)
<b>Cash and Cash equivalents, beginning of year</b>	<u>2,266,463</u>	<u>3,720,168</u>
<b>Cash and Cash equivalents, end of year</b>	<u>\$ 2,251,706</u>	<u>\$ 2,266,463</u>

See accompanying notes to the financial statements.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

**1. GENERAL**

The Corporation of the District of North Cowichan (the Corporation) was incorporated in 1873 under a statute of the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. The principal activities include community development, parks and recreation, police and fire protection, road transportation, forestry management, cemetery, solid waste, water utility, sewer utility, and fiscal services.

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, include travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

In March 2020, the District closed all Municipal recreational facilities, closed the Municipal Hall to the public and moved to essential service provision only in response to the COVID-19 pandemic. Management is currently assessing the risk to the organization and developing plans to respond to those risks. This includes revising financial plans to consider the impacts related to COVID-19 on all areas of the District.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time.

**2. SIGNIFICANT ACCOUNTING POLICIES**

It is the Corporation's policy to follow Canadian public sector accounting standards and to apply such principles consistently. The following is a summary of the Corporation's significant policies:

**a) BASIS OF PRESENTATION**

These consolidated financial statements consolidate the following operations:

- General Capital Fund
- General Revenue Fund
- Reserve Fund
- Water Systems Capital Fund
- Water Systems Revenue Fund
- Sewer Systems Capital Fund
- Sewer Systems Revenue Fund

The Corporation has an interest in a significant cost sharing arrangement: the Duncan - North Cowichan Joint Utilities Board. Adjustments have been made to these consolidated statements to include the Corporation's proportionate share of assets, liabilities and net revenues over expenditures of the administrative body at approximately the following percentage:

Duncan-North Cowichan Joint Utilities Board	53.69%
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Interfund transactions and balances have been eliminated.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**b) BASIS OF ACCOUNTING**

The Corporation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the delivery of goods or services and/or upon the creation of a legal obligation to pay. Expenses paid in the current period and attributable to a future period are recorded as prepaid.

**c) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on deposit in qualifying institutions as defined in the Community Charter.

**d) INVESTMENTS**

Investments are recorded at cost which at December 31, 2020, would approximate market value. Investments consist of cash on deposit in the Municipal Finance Authority (“MFA”) investment funds that are highly liquid, readily convertible to cash, and are subject to an insignificant risk of change in value.

**e) LIABILITY FOR CONTAMINATED SITES**

The Corporation recognizes a liability for remediation of a contaminated site when the site is no longer in productive use or an unexpected event resulting in contamination has occurred and the following criteria are satisfied: contamination exceeds an environmental standard, the Corporation is either directly responsible or has accepted responsibility for remediation, it is expected future economic benefits will be given up and a reasonable estimate of the amount can be made. Future economic benefits are expected to be given up if the Corporation has an external obligation to remediate a site or has commenced remediation on its own accord.

The Corporation has determined that no owned properties meet the criteria to recognize a liability for contaminated sites.

**f) 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 change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

**g) REVENUE RECOGNITION**

- i) Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year.
- ii) Sale of services and user fee revenues are recognized when the service or product is rendered

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**g) REVENUE RECOGNITION CONTINUED**

by the Corporation.

- iii) Grant revenues are recognized when the funding becomes receivable.
- iv) Revenue unearned in the current period is recorded as deferred revenue.
- v) Government transfers are recognized 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 are included in deferred revenue.

**h) PROPERTY ACQUIRED FOR TAXES - DEEDED TO MUNICIPALITY**

Property acquired for taxes is presented at estimated historical values as either financial assets or non-financial assets. Properties that are presented as a financial asset are those which are readily available for sale during the subsequent period. Properties that are presented as non-financial assets are those that are either not saleable or will not be ready for sale within the subsequent period.

**i) EMPLOYEE FUTURE BENEFITS AND COMPENSATION PAYABLE**

The Corporation and its employees make contributions to the Municipal Pension Plan. The Corporation's contributions are expensed as paid.

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

**j) APPROPRIATED SURPLUS - GENERAL REVENUE FUND**

General Revenue Fund appropriations are non-statutory reserves established at the discretion of Council. These reserves are outlined in Note 15.

- i) The reserve for property acquired for taxes is an amount set aside to offset the carrying value of property acquired for taxes.
- ii) Reserves for future expenditures are amounts set aside from past and current operations for future operating and capital expenditures.
- iii) The reserve for uncollected taxes is an amount set aside to offset uncollected taxes.
- iv) The reserve for the Joint Utilities Board is an amount set aside for future capital expenditures, established at the discretion of the Board.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**k) LEASES**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to the ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses incurred.

**l) TANGIBLE CAPITAL ASSETS**

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Donated assets are recorded at their estimated fair value upon acquisition. Certain tangible capital assets for which historical cost information was not available were recorded at the current fair market values, in the year of recognition, discounted by a relevant inflation factor. Certain assets are disclosed at a nominal value as the determination of current fair market value was not available. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Land	Indefinite
Land Improvements	10 to 30 years
Buildings	15 to 50 years
Engineering Structures	10 to 60 years
Machinery & Equipment	5 to 40 years
Capital Works In Progress	Life determined when complete

Amortization is charged on a monthly basis, starting the month following the date of acquisition and ending in the month of disposition. Capital works in progress are not amortized until the asset is available for productive use. The Corporation does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

Certain assets, which have historical or cultural value including works of art, historical documents, as well as historical and cultural artifacts, are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands that have not been purchased by the Corporation, water, and other natural resources, are not recognized as tangible capital assets.

Tangible capital assets received as contributions are recorded at their estimated fair value at the date the Corporation acquires ownership and are recorded as revenue.

Land and infrastructure assets contributed to the Corporation in 2020 totaled \$10,866,949 (2019 - \$2,411,588) and were capitalized at their fair value at the time of receipt.

Tangible capital assets are written down when conditions indicate they no longer contribute to the Corporation's ability to provide goods and services or when the value of the future economic benefits

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**l) TANGIBLE CAPITAL ASSETS CONTINUED**

associated with the asset is less than the book value of the asset.

**m) MATERIALS AND SUPPLIES**

Inventories of materials and supplies are valued at weighted average cost with allowance made for damaged or obsolete goods.

**n) LOAN GUARANTEE**

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 consolidated financial statements of the Corporation until the Corporation considers it likely that the borrower will default on the specific loan obligation. Should a default occur, the Corporation's liability would be recorded in the consolidated financial statements.

**o) USE OF ESTIMATES**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles as recommended by PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the determination of accrued sick benefits and retirement liability, collectability of accounts receivable, amortization of capital assets, deferred charges and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

**3. FINANCIAL INSTRUMENTS**

The Corporation's financial instruments consist of cash and cash equivalents, temporary investments, accounts receivable, accounts payable and accrued liabilities, restricted reserves, temporary financing and debenture debt. The carrying amount of these financial instruments approximates their fair value because they are short-term in nature or because they bear interest at market rates.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest or credit risks arising from these financial instruments.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**4. CASH AND INVESTMENTS**

Cash and investments are comprised of cash on hand, cash on deposit at financial institutions and investments held in Municipal Finance Authority of British Columbia investment funds.

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,251,706	\$ 2,266,463
Temporary investments	84,720,075	73,350,782
	<u>\$ 86,971,781</u>	<u>\$ 75,617,245</u>

Temporary Investments consist of short-term investments in the Municipal Finance Authority of BC, Govt. Focused Ultra-short bond fund and CIBC high interest savings and the market value is equal to the carrying value. Temporary Investments have yields ranging from .90% to 2.04%.

Included in investments are the following restricted amounts that can only be expended in accordance with the terms of the Reserve and Restricted Reserve Funds.

	<u>2020</u>	<u>2019</u>
Restricted investments	\$ 34,997,998	\$ 29,167,218

**5. ACCOUNTS RECEIVABLE**

	<u>2020</u>	<u>2019</u>
Property taxes	\$ 1,965,667	\$ 1,929,934
Water rates	325,810	296,064
Federal government	420,226	314,076
Provincial government	2,667,788	252,479
Local government	278,973	491,537
General	150,637	185,320
	<u>\$ 5,809,101</u>	<u>\$ 3,469,410</u>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2020</u>	<u>2019</u>
General	\$ 8,323,295	\$ 4,226,731
Wages and salaries	616,705	288,105
Accrued interest	126,329	142,423
	<u>\$ 9,066,329</u>	<u>\$ 4,657,259</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**7. EMPLOYEE FUTURE BENEFITS AND COMPENSATION**

The Corporation and its employees make contributions to the Municipal Pension Plan. The Corporation's contributions are expensed as paid.

Sick leave cash-out and severance benefits accrue to the Corporation's employees. The liability relating to these benefits is determined in accordance with Section PS 3255 of the Public Sector Accounting Handbook of the Chartered Professional Accountants of Canada. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service life of employees.

The following amounts are the accrued liabilities in respect of Employee Future Benefits and wages payable:

	<u>2020</u>	<u>2019</u>
Lieu time payable	\$ 981,281	\$ 890,820
Sick leave cash-out and severance benefits	<u>2,738,700</u>	<u>3,010,400</u>
	<u>\$ 3,719,981</u>	<u>\$ 3,901,220</u>

Under the terms of the union contract, sick leave not taken in a year is carried forward to a maximum accumulation for 180 working days for each employee. On retirement or termination of employment after 5 years of service, sick leave accumulated is paid out at the employee's prevailing wage rate.

The Corporation also provides 30 days of paid leave at retirement, as prescribed by the Pension (Municipal) Act, at the employee's prevailing wage rate.

The liabilities for sick leave cash-out and severance benefits are based on an actuarial valuation as at December 31, 2020.

	<u>2020</u>	<u>2019</u>
Accrued benefit obligation	\$ 2,947,800	\$ 2,954,000
Unamortized actuarial gain/(loss)	<u>(209,100)</u>	<u>56,400</u>
Accrued benefit liability	<u>2,738,700</u>	<u>3,010,400</u>
<b>Benefit expense:</b>		
Current service cost	289,500	262,100
Interest cost	67,000	91,000
Amortization of net actuarial (gain)/loss	<u>(13,600)</u>	<u>(2,100)</u>
	<u>\$ 342,900</u>	<u>\$ 351,000</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**7. EMPLOYEE FUTURE BENEFITS AND COMPENSATION CONTINUED**

Significant actuarial assumptions as at December 31st include:

	<u>2020</u>	<u>2019</u>
Valuation interest rate	1.60%	2.40%
Rate of compensation increase	2.25%	2.25%
Expected coverage remaining service life (in years)	11	10

**8. UNEARNED REVENUE**

	2019	Contributions and interest	Revenue earned or refunded	<b>2020</b>
Prepaid taxes and licenses	\$ 2,542,579	\$ 6,268,669	\$ 6,121,193	<b>\$ 2,690,055</b>
Service fees and deposits	3,005,510	2,387,630	1,338,061	<b>4,055,079</b>
Aquatic Centre unearned revenue	183,152	125,745	266,150	<b>42,747</b>
General unearned revenues	94,850	387,655	40,337	<b>442,168</b>
	<u>\$ 5,826,091</u>	<u>\$ 9,169,699</u>	<u>\$ 7,765,741</u>	<u><b>\$ 7,230,049</b></u>

**9. MUNICIPAL FINANCE AUTHORITY - RESERVE DEPOSITS**

The Corporation issues debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a debt reserve fund. The Corporation also executes demand notes in connection with each debenture whereby the Corporation may be required to loan certain amounts to the Municipal Finance Authority. .

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 at December 31, 2020, there were contingent demand notes of \$838,024(2019 - \$838,024) which are not included in the financial statements of the Corporation.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**10. FUNDS HELD IN TRUST**

These funds account for assets, which must be administered as directed by agreement or statute for certain beneficiaries. In particular, these funds are for the Cemetery Trust Fund. In accordance with PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the Corporation's Consolidated Financial Statements. A summary of trust fund activities by the Corporation is as follows:

	<b>2020</b>	2019
Assets		
Cash and short term investments	<b>\$ 423,707</b>	\$ 406,419
	<b>423,707</b>	406,419
Equity		
Opening balances	<b>406,419</b>	386,200
Contributions	<b>17,288</b>	20,219
	<b>\$ 423,707</b>	\$ 406,419

**11. RESTRICTED RESERVES**

Receipts which are restricted by the legislation of senior governments are deferred and reported as liabilities. Included in liabilities are reserves for development cost charges, the use of which, with any earnings thereon, is restricted by legislation or agreement with external parties. These amounts are recognized as revenue in the period in which corresponding expenditures are incurred.

<b>Development Cost Charges</b>	<b>2020</b>	2019
Opening	<b>\$ 11,848,893</b>	\$ 10,168,279
Contributions	<b>1,586,744</b>	1,497,948
Return on investment	<b>260,131</b>	246,666
Amount spent	<b>(96,000)</b>	(64,000)
	<b>\$ 13,599,768</b>	\$ 11,848,893

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**12. FEDERAL GAS TAX AGREEMENT FUNDS**

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

<b>Federal Gas Tax Agreement Funds</b>	<b>2020</b>	<b>2019</b>
Opening balance of unspent funds	\$ 1,641,753	\$ 104,901
Add: Amount received during the year	1,304,840	2,632,266
Add: Return on investment	33,420	8,865
Less: Amount spent	(1,304,840)	(1,104,279)
	<b>\$ 1,675,173</b>	<b>\$ 1,641,753</b>

**13. DEBENTURE DEBT**

The Corporation holds debt through the Municipal Finance Authority, pursuant to security issuing bylaws under the authority of the Community Charter, to finance certain capital expenditures. Sinking fund balances, managed by MFA, are used to reduce long-term debt.

	M.F.A. Issue Number	Interest Rate	Maturity Date	Originally Approved	<b>2020 Net Unmatured</b>	2019 Net Unmatured
<b>General Capital Fund</b>						
Maple Bay Fire Hall	95	1.80%	Apr 12, 2025	\$ 1,600,000	\$ 518,413	\$ 611,818
Maple Bay Fire Hall	103	2.65%	Apr 23, 2028	500,000	247,703	273,552
Cowichan Aquatic Ctr	104	2.90%	Nov 20, 2028	15,000,000	7,431,107	8,206,571
Cowichan Aquatic Ctr	106	2.25%	Oct 12, 2029	2,265,500	1,239,466	1,352,082
Duncan Curling Club	N/A	4.00%	Jan 15, 2032	551,500	357,708	382,836
Tier 2 Flood Protection	121	2.90%	Oct 4, 2032	745,475	514,803	547,746
Tier 2 Flood Protection	124	3.15%	Apr 8, 2033	1,000,000	734,761	777,253
Municipal Hall Expansion	126	3.85%	Sep 26, 2033	1,500,000	1,102,142	1,165,880
Stoney Hill Road	131	2.20%	Apr 8, 2040	2,000,000	1,724,648	1,783,571
Tier 4 Flood Protection	137	2.60%	Apr 19, 2036	1,700,000	1,446,624	1,513,273
Tier 4 Flood Protection	141	2.80%	Apr 7, 2037	200,000	176,994	184,890
				<u>27,062,475</u>	<u>15,494,369</u>	<u>16,799,472</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**13. DEBENTURE DEBT CONTINUED**

	M.F.A. Issue Number	Interest Rate	Maturity Date	Originally Approved	<b>2020 Net Unmatured</b>	2019 Net Unmatured
<b>Water Capital Fund</b>						
Chemainus	110	4.50%	April 8, 2030	1,750,000	<b>1,044,425</b>	1,128,070
Crofton	106	2.25%	Oct 13, 2029	530,000	<b>289,965</b>	316,311
Chemainus	137	2.60%	Apr 19, 2036	864,000	<b>735,225</b>	769,099
				<u>3,144,000</u>	<u><b>2,069,615</b></u>	<u>2,213,480</u>
				<u>\$ 30,206,475</u>	<u><b>\$ 17,563,984</b></u>	<u>\$ 19,012,952</u>

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

	General	Water	Total
Principal repayments:			
2021	\$ 909,461	\$ 107,118	\$ 1,016,579
2022	910,526	107,118	1,017,644
2023	911,635	107,118	1,018,753
2024	912,789	107,118	1,019,907
2025	913,990	107,118	1,021,108
Thereafter	<u>4,449,388</u>	<u>701,107</u>	<u>5,150,495</u>
	<u>9,007,789</u>	<u>1,236,697</u>	<u>10,244,486</u>
Actuarial sinking fund earnings:			
2021	446,691	42,332	489,023
2022	498,676	48,134	546,810
2023	552,699	54,163	606,862
2024	608,839	60,426	669,265
2025	667,180	66,934	734,114
Thereafter	<u>3,712,495</u>	<u>560,929</u>	<u>4,273,424</u>
	<u>6,486,580</u>	<u>832,918</u>	<u>7,319,498</u>
	<u>\$ 15,494,369</u>	<u>\$ 2,069,615</u>	<u>\$ 17,563,984</u>

Interest paid during the year was \$845,205 (2019 - \$936,729).

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

**14. COMMITMENTS AND CONTINGENT LIABILITIES**

- a) The Cowichan Valley Regional District debt is, under the provisions of the Local Government Act, a direct, joint and several liability of the Corporation and other local governments within the Cowichan Valley Regional District.
- b) Loan agreements with the Cowichan Valley Regional District and the Municipal Finance Authority provide that if at any time the scheduled payments provided for in the agreements are not sufficient to meet the Municipal Finance Authority's obligations in respect to such borrowings, the resulting deficiencies become a liability of the Corporation.
- c) The Corporation has guaranteed a commercial loan to a maximum of \$400,000 to the Duncan-Cowichan Chamber of Commerce. The loan matures January 1, 2025 at an annual interest rate of 3.75%.
- d) The Corporation and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2019 the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 contributors from local governments.

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2021, with results available in 2022.

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

The Corporation paid \$1,278,094 (2019 - \$1,253,377) for employer contributions while employees contributed \$1,135,522 (2019 - \$1,115,108) to the Plan in fiscal 2020.

- e) At the end of the year the Corporation was involved in a number of legal actions the outcomes of which are indeterminate at this time. The Corporation carries liability insurance with a current deductible of \$25,000.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**15. ACCUMULATED SURPLUS**

	2020	2019
<b>Operating Funds</b>		
Unappropriated:		
General	\$ 4,426,273	\$ 4,071,993
Water Systems	4,989,435	4,164,137
Sewer Systems	16,840,437	15,064,228
	<b>26,256,145</b>	23,300,358
Appropriated:		
Reserves for property acquired for taxes	2,341,177	2,341,505
Reserves for future expenditures	9,314,633	10,052,275
Reserve for uncollected taxes	1,295,091	1,295,091
Reserve for Joint Utilities Board	1,034,693	953,434
	<b>13,985,594</b>	14,642,305
	<b>40,241,739</b>	37,942,663
<b>Capital Funds</b>		
General Capital	212,023,583	197,772,583
Water Capital	31,986,242	31,584,622
Sewer Capital	22,022,196	22,116,948
Joint Utilities Board Capital	1,741,601	1,674,020
	<b>267,773,622</b>	253,148,173

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**15. ACCUMULATED SURPLUS CONTINUED**

	<u>2020</u>	<u>2019</u>
<b>Reserve Funds</b>		
Land Sales	4,211,105	4,217,773
Machinery and Equipment	4,124,170	3,558,998
Local Area Service	1,152,699	1,019,925
Forest	1,740,130	2,145,499
Park Development	225,696	221,194
Parkland Purchase	621,099	553,755
Chemainus Parking	170,540	167,137
Agriculture	300,426	265,031
Self-Insurance	176,169	123,652
Climate Action and Energy Plan	542,814	494,610
Maple Bay Sewer	93,689	91,820
Cowichan Aquatic Centre	586,636	452,426
Evans Park	174,827	171,339
Fuller Lake Arena	74,013	72,537
Harbours Crofton	57,973	41,659
Harbours Chemainus	408,535	391,378
Mural Protection	21,431	39,797
Gas Tax (Note 12)	1,675,173	1,641,753
Quamichan Lake	318,754	52,511
IT Asset Management	62,000	-
COVID-19 Safe Restart Grant	2,750,808	-
Infrastructure Replacement	1,299,858	1,028,913
Gravel Pits	534,363	523,702
Affordable Housing	75,323	42,918
	<u>21,398,231</u>	<u>17,318,327</u>
<b>Accumulated Surplus</b>	<u>\$ 329,413,592</u>	<u>\$ 308,409,163</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**16. BUDGET DATA**

The budget data presented in these financial statements is based upon the 2020-2024 Financial Plan Bylaw adopted by council April 15, 2020. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	<b>2020</b>
Financial Plan Bylaw surplus for the year	\$ -
Add back:	
Principal debt repayment	1,089,460
Capital expenditures	25,748,749
Less:	
Amortization	(9,757,400)
Proceeds from borrowing	(4,000,000)
Budgeted transfers to reserve funds	(1,901,479)
Budgeted transfers from accumulated surplus	(7,152,560)
Adjusted Annual Surplus	<u>\$ 4,026,770</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**17. JOINT UTILITIES BOARD**

Financial results for the Joint Utilities Board are consolidated into the Corporation's financial statements proportionately based on the units owned by each partner. In 2020, the Corporation's proportion for consolidation purposes was 53.69% (2019 – 53.69%). Condensed financial information for the Joint Utilities Boards is as follows:

	<u>2020</u>	<u>2019</u>
Net Financial Assets	\$ 1,927,423	\$ 1,776,069
Non-Financial Assets	<u>3,243,929</u>	<u>3,118,061</u>
Accumulated Surplus	<u>5,171,352</u>	<u>4,894,130</u>
Revenues	\$ 1,609,455	\$ 1,494,661
Expenses	<u>1,332,234</u>	<u>1,237,734</u>
Annual Surplus	<u>277,221</u>	<u>256,927</u>
<b>North Cowichan Proportionate Share:</b>		
Net Financial Assets	\$ 1,034,693	\$ 953,434
Non-Financial Assets	<u>1,741,601</u>	<u>1,674,020</u>
<b>Accumulated Surplus</b>	<u>2,776,294</u>	<u>2,627,454</u>
Revenues	\$ 864,082	\$ 802,452
Expenses	<u>715,248</u>	<u>664,513</u>
<b>Annual Surplus</b>	<u>\$ 148,834</u>	<u>\$ 137,939</u>

The Duncan – North Cowichan Joint Utilities Board is a government partnership that operates and maintains joint sewer lagoons on behalf of the City of Duncan and the District of North Cowichan. The distribution of expenditures related to operations is based on the number of users in each municipality as well as users from surrounding areas in the Cowichan Valley Regional District and the Cowichan Tribes.

The Joint Utilities Board leases the sewage lagoon lands under an operating lease which expires July 31, 2060. The Corporation's proportionate share of the future minimum lease payments is \$214,921 per annum with an estimated annual increase of 2.2%.

Because the percentage of units owned by the partners may change from year-to-year which produces different cost shares for each partner, there may be a write down or write up of asset balances. In 2020 the Corporation recorded a write up of assets in the amount of \$0 (2019 - \$0).

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

**18. SEGMENT REPORTING**

The Corporation's operations and activities are organized and reported by fund. Services are provided by departments and their activities are reported in these funds. Certain departments have been separately disclosed in the segmented information, which is outlined in Schedule XI, along with the services they provide as follows:

**GENERAL GOVERNMENT SERVICES**

This segment includes Administration, Finance, Information Technology and other corporate services.

**PROTECTIVE SERVICES**

This segment includes police protection, fire protection, building and plumbing inspections, animal control, weed control, and other protective services.

**ENGINEERING AND PUBLIC WORKS**

This segment is responsible for the construction and maintenance of the Corporation's infrastructure, including drainage and transportation systems.

**ENVIRONMENTAL HEALTH SERVICES**

This segment is comprised of garbage and recycling collection, energy management and the Mountain View Cemetery.

**FORESTRY SERVICES**

This segment is responsible for the maintenance and management of the Municipal Forest Reserve.

**COMMUNITY DEVELOPMENT**

This segment includes planning and development, which includes processing development applications and developing related policies and regulations.

**RECREATION AND CULTURE SERVICES**

The Parks and Recreation department manages, facilitates, and maintains a system of services, facilities, and parks to enhance the quality of life for the citizens of North Cowichan.

**WATER**

This segment includes all of the operating activities related to the treatment and distribution of water throughout the Corporation.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**18. SEGMENT REPORTING CONTINUED**

**SEWER**

This segment includes all of the operating activities related to the collection and treatment of wastewater (sewage) throughout the Corporation.

**RESERVE FUNDS**

These funds have been created to hold assets for specific future requirements pursuant to the Community Charter.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Taxes, grants-in-lieu of taxes and any revenues not directly attributable to a segment are apportioned to the General Revenue Fund service based on the net annual budget. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

**19. LISTING OF OPERATING EXPENSES BY OBJECT TYPE**

The following provides a summary of operating expenses by object:

	<u>2020</u>	<u>2019</u>
Salaries, wages and benefits	\$ 18,813,862	\$ 19,350,928
Contract services	13,713,891	14,008,575
Amortization	9,852,916	9,569,240
Materials and supplies	5,571,622	6,122,026
Interest	845,205	936,729
Loss on sale, write downs and transfer of TCA	24,887	140,780
<b>Total expense</b>	<b>\$ 48,822,383</b>	<b>\$ 50,128,278</b>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**TAXATION**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE I**

	2020 Budget	2020	2019
<b>Municipal Purposes:</b>			
General taxation	\$ 30,957,598	\$ <b>30,960,005</b>	\$ 30,011,990
Business Improvement Area	104,300	<b>116,522</b>	106,940
Local Area Service	95,348	<b>95,348</b>	95,348
Utilities	1,081,400	<b>1,079,159</b>	1,065,554
Grants-in-lieu of taxes	212,400	<b>212,873</b>	241,416
Water systems	2,144,050	<b>2,145,121</b>	2,051,052
Sewer systems	2,624,783	<b>2,631,708</b>	2,530,776
Total Municipal Taxes	37,219,879	<b>37,240,736</b>	36,103,076
<b>Collections for Other Governments:</b>			
School	12,363,000	<b>11,828,581</b>	12,286,609
Cowichan Valley Regional Hospital District	3,992,000	<b>4,107,571</b>	3,703,379
Cowichan Valley Regional District	9,012,600	<b>9,335,402</b>	8,750,061
BC Assessment	363,000	<b>394,024</b>	345,836
Municipal Finance Authority	1,100	<b>1,592</b>	1,469
Total Collections for Other Governments	25,731,700	<b>25,667,170</b>	25,087,354
	62,951,579	<b>62,907,906</b>	61,190,430
Deduct: requisitions remitted to other taxing authorities	(25,731,700)	<b>(25,667,170)</b>	(25,087,354)
Total Taxes Levied	<b>\$ 37,219,879</b>	<b>\$ 37,240,736</b>	<b>\$ 36,103,076</b>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**SALES OF SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE II**

	2020 Budget	<b>2020</b>	2019
General government service	\$ 124,400	<b>\$ 128,387</b>	\$ 125,935
Protective services	326,450	<b>307,886</b>	248,164
Fire protection	245,650	<b>210,969</b>	219,387
Engineering and public works	173,441	<b>271,914</b>	343,629
Residential garbage - municipal	1,389,900	<b>1,438,958</b>	1,304,755
Forestry	277,160	<b>384,443</b>	1,609,091
Cowichan Aquatic Centre	1,466,323	<b>950,331</b>	2,054,025
Fuller Lake Arena	256,573	<b>154,775</b>	268,877
Other recreation	59,040	<b>44,691</b>	62,172
Wharves	189,340	<b>191,031</b>	219,880
Miscellaneous	315,864	<b>130,399</b>	103,802
Cemetery	127,870	<b>135,095</b>	139,804
Water	2,618,132	<b>2,887,262</b>	2,892,951
Sewer	1,742,979	<b>2,032,079</b>	1,933,159
	<u>\$ 9,313,122</u>	<u><b>\$ 9,268,220</b></u>	<u>\$ 11,525,631</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**OTHER REVENUE FROM OWN SOURCES**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE III**

	2020 Budget	<b>2020</b>	2019
Licences and permits	\$ 929,613	<b>\$ 1,014,153</b>	\$ 1,278,595
Tax penalties and interest	340,000	<b>308,933</b>	370,615
Fines	4,500	<b>29,056</b>	8,320
Rentals	269,824	<b>335,971</b>	295,395
Water	10,160	<b>11,717</b>	11,167
	<u>\$ 1,554,097</u>	<u><b>\$ 1,699,830</b></u>	<u>\$ 1,964,092</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**GRANTS AND GOVERNMENT TRANSFERS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE IV**

	2020 Budget	<b>2020</b>	2019
<b>Operating Grants</b>			
Traffic fines revenue	\$ 295,000	\$ <b>294,973</b>	\$ 254,242
Other grants	248,260	<b>4,634,272</b>	237,770
	543,260	<b>4,929,245</b>	492,012
<b>Capital Grants</b>			
Fuel tax	3,781,000	<b>3,632,343</b>	2,632,266
<i>Infrastructure Grants (Prov/Fed)</i>			
Water	-	-	120,039
Sewer	667,000	-	-
Other	1,067,200	<b>334,506</b>	-
<i>Provincial and Other Grants</i>			
ICBC grants	-	<b>81,900</b>	42,600
	-	<b>81,900</b>	42,600
	\$ 6,058,460	<b>\$ 8,977,994</b>	\$ 3,286,917

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**GENERAL GOVERNMENT SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE V**

	2020 Budget	<b>2020</b>	2019
Legislative	\$ 316,540	<b>\$ 299,736</b>	\$ 350,358
Administrative	4,499,338	<b>4,317,375</b>	4,138,387
Financial services	997,884	<b>1,038,317</b>	978,660
Common services	939,868	<b>797,145</b>	1,044,939
Miscellaneous	166,455	<b>160,996</b>	124,858
Administration recoveries	(880,480)	<b>(876,570)</b>	(859,020)
Interest	57,750	<b>57,750</b>	57,750
Amortization	223,930	<b>207,330</b>	207,744
	<u>\$ 6,321,285</u>	<u><b>\$ 6,002,079</b></u>	<u>\$ 6,043,676</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**PROTECTIVE SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE VI**

	2020 Budget	<b>2020</b>	2019
Police protection:			
R.C.M.P. contract	\$ 5,439,669	<b>\$ 5,005,848</b>	\$ 4,993,901
Municipal employees	1,568,822	<b>1,520,969</b>	1,459,929
Crime prevention	7,640	<b>7,100</b>	7,100
Building maintenance	252,305	<b>250,696</b>	300,581
Bylaw enforcement	517,400	<b>578,333</b>	405,195
	<u>7,785,836</u>	<u><b>7,362,946</b></u>	<u>7,166,706</u>
Fire protection:			
General fire protection	227,134	<b>263,867</b>	200,490
Chemainus fire hall	361,771	<b>346,853</b>	335,557
Crofton fire hall	333,215	<b>310,946</b>	346,917
Maple Bay fire hall	352,665	<b>343,546</b>	365,115
South End fire hall	469,849	<b>432,398</b>	433,023
	<u>1,744,634</u>	<u><b>1,697,610</b></u>	<u>1,681,102</u>
Other protection:			
Building and plumbing inspections	542,729	<b>570,324</b>	462,317
Animal control	173,800	<b>178,569</b>	154,171
Weed control	9,190	<b>2,951</b>	2,973
Mosquito control	15,000	<b>21,830</b>	17,404
	<u>740,719</u>	<u><b>773,674</b></u>	<u>636,865</u>
Interest	42,050	<b>38,968</b>	42,050
Amortization	508,660	<b>497,079</b>	488,289
	<u>550,710</u>	<u><b>536,047</b></u>	<u>530,339</u>
	<u><u>\$ 10,821,899</u></u>	<u><u><b>\$ 10,370,277</b></u></u>	<u><u>\$ 10,015,012</u></u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**ENGINEERING AND PUBLIC WORKS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE VII**

	2020 Budget	<b>2020</b>	2019
Administration	\$ 1,795,529	\$ <b>1,602,256</b>	\$ 1,464,507
Small tools and equipment	57,170	<b>55,796</b>	56,330
Workshop and yard maintenance	204,945	<b>248,564</b>	207,342
Roads - construction	217,603	<b>61,744</b>	67,863
Roadway and surfaces maintenance	1,565,403	<b>1,400,727</b>	1,224,265
Snow and ice removal	384,609	<b>502,553</b>	606,540
Bridge - maintenance	5,940	<b>4,089</b>	11,085
Street lighting	472,610	<b>458,497</b>	479,307
Signs and line painting	333,650	<b>297,006</b>	332,055
Drainage	826,819	<b>795,555</b>	577,846
Sidewalk maintenance	20,840	<b>18,378</b>	4,088
Other transportation	264,130	<b>222,421</b>	341,986
Administration recoveries	(713,830)	<b>(741,280)</b>	(578,044)
Loss on sale, write downs and transfer of TCA	-	<b>14,263</b>	60,381
Interest	146,920	<b>146,919</b>	146,919
Amortization	5,398,540	<b>5,556,033</b>	5,398,045
	<u>\$ 10,980,878</u>	<u>\$ <b>10,643,521</b></u>	<u>\$ 10,400,515</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**ENVIRONMENTAL HEALTH SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE VIII**

	2020 Budget	<b>2020</b>	2019
Garbage collection and recycling	\$ 1,278,738	<b>\$ 1,436,058</b>	\$ 1,316,239
Cemetery	149,635	<b>205,134</b>	173,935
Energy Manager	-	-	134,211
Environmental	316,357	<b>273,235</b>	45,762
Amortization	90,620	<b>75,921</b>	75,921
	<u>\$ 1,835,350</u>	<u><b>\$ 1,990,348</b></u>	<u>\$ 1,746,068</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**RECREATION AND CULTURAL SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE IX**

	2020 Budget	2020	2019
Administration	\$ 197,718	\$ <b>189,723</b>	\$ 142,308
Crofton swimming pool	77,098	<b>19,428</b>	71,667
Cowichan Aquatic Centre	3,468,748	<b>2,651,852</b>	3,897,481
Fuller Lake Arena	968,871	<b>954,055</b>	962,470
Parks common services	84,223	<b>66,120</b>	69,119
Community recreation program	135,350	<b>81,211</b>	136,013
Chemainus parks and playgrounds	436,761	<b>376,698</b>	408,623
Crofton parks and playgrounds	197,476	<b>189,641</b>	198,253
South End parks and playgrounds	1,237,479	<b>1,245,148</b>	1,303,538
Wharves	169,367	<b>169,002</b>	163,995
Library	1,533,901	<b>1,533,901</b>	1,485,124
Grants-in-aid	226,150	<b>233,744</b>	218,099
Loss on sale, write downs and transfer of TCA	-	-	31,490
Interest	544,405	<b>500,787</b>	535,144
Amortization	1,172,930	<b>1,238,472</b>	1,208,922
	<u>\$ 10,450,477</u>	<u>\$ <b>9,449,782</b></u>	<u>\$ 10,832,246</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**TANGIBLE CAPITAL ASSETS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE X**

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Balance December 31, 2019	2020 Additions	2020 Disposals	2020 Write-downs	Balance December 31, 2020	Balance December 31, 2019	2020 Additions	2020 Disposals	Balance December 31, 2020	2019	2020
Land	\$ 45,917,815	\$ 7,176,141	\$ -	\$ -	\$ 53,093,956	\$ -	\$ -	\$ -	\$ -	\$ 45,917,815	\$ 53,093,956
Land Improvements	14,037,403	598,977	-	-	14,636,380	6,358,870	652,061	-	7,010,931	7,678,533	7,625,449
Buildings	48,180,050	367,465	-	-	48,547,515	20,263,073	1,215,051	-	21,478,124	27,916,977	27,069,391
Engineering Structures	295,874,282	6,993,531	31,230	-	302,836,583	129,605,551	6,110,573	19,713	135,696,411	166,268,731	167,140,172
Machinery & Equipment	45,174,118	1,237,508	172,313	-	46,239,313	23,749,548	1,875,231	171,132	25,453,647	21,424,570	20,785,666
Work In Progress	2,359,360	7,326,881	630,376	28,032	9,027,833	-	-	-	-	2,359,360	9,027,833
	<u>\$ 451,543,028</u>	<u>\$ 23,700,503</u>	<u>\$ 833,919</u>	<u>\$ 28,032</u>	<u>\$ 474,381,580</u>	<u>\$ 179,977,042</u>	<u>\$ 9,852,916</u>	<u>\$ 190,845</u>	<u>\$ 189,639,113</u>	<u>\$ 271,565,986</u>	<u>\$ 284,742,467</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**OPERATIONS BY SEGMENT**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE XI**

For the Year Ended December 31, 2020	General government services	Protective services	Engineering and public works	Environmental health services	Forestry services	Community development	Recreation and cultural services	Water	Sewer	Reserve Funds	Capital	Consolidated
<b>Revenues</b>												
Taxation	\$ 5,305,067	\$ 8,735,216	\$ 5,567,938	\$ 234,022	\$ -	\$ 1,256,636	\$ 8,135,520	\$ 2,145,121	\$ 2,631,708	\$ 1,976,524	\$ 1,252,984	\$ 37,240,736
Sales of services	258,786	518,855	271,914	1,574,053	384,443	-	1,340,828	2,887,262	2,032,079	-	-	9,268,220
Other revenue from own sources	374,860	1,029,951	169,803	-	-	90,853	22,646	11,717	-	-	-	1,699,830
Return on investments	68,183	112,268	71,561	3,008	-	16,151	104,561	79,462	307,227	363,999	-	1,126,420
Grants and government transfers	-	420,354	5,644,691	-	-	5,000	2,373,443	200,000	-	-	334,506	8,977,994
Collections from developers and others	-	-	-	-	-	-	-	-	-	-	11,080,199	11,080,199
Actuarial adjustments to debt	13,365	43,644	31,383	-	-	-	308,274	36,746	-	-	-	433,412
	<u>6,020,261</u>	<u>10,860,288</u>	<u>11,757,290</u>	<u>1,811,083</u>	<u>384,443</u>	<u>1,368,640</u>	<u>12,285,272</u>	<u>5,360,308</u>	<u>4,971,014</u>	<u>2,340,523</u>	<u>12,667,689</u>	<u>69,826,811</u>
<b>Expenses</b>												
Salaries, wages and benefits	4,817,932	3,489,008	2,981,830	676,403	312,563	846,700	3,585,217	1,315,562	788,646	-	-	18,813,861
Contract services	1,060,591	5,602,577	1,351,943	804,252	413,767	282,018	2,545,159	608,844	1,044,740	-	-	13,713,891
Materials and supplies	(141,524)	742,645	592,533	433,772	111,957	39,484	1,580,147	1,459,188	753,420	-	-	5,571,622
Amortization	207,330	497,079	5,556,033	75,921	11,214	-	1,238,472	1,214,846	1,052,021	-	-	9,852,916
Interest	57,750	38,968	146,919	-	-	-	500,787	79,905	20,877	-	-	845,205
<b>Expenditures before losses, write downs and transfers</b>	6,002,079	10,370,277	10,629,258	1,990,348	849,501	1,168,202	9,449,782	4,678,345	3,659,704	-	-	48,797,495
Loss on sale, write downs and transfer of TCA	-	-	14,263	-	-	-	-	9,329	1,295	-	-	24,887
	<u>6,002,079</u>	<u>10,370,277</u>	<u>10,643,521</u>	<u>1,990,348</u>	<u>849,501</u>	<u>1,168,202</u>	<u>9,449,782</u>	<u>4,687,674</u>	<u>3,660,999</u>	<u>-</u>	<u>-</u>	<u>48,822,382</u>
	<u>18,182</u>	<u>490,011</u>	<u>1,113,769</u>	<u>(179,265)</u>	<u>(465,058)</u>	<u>200,438</u>	<u>2,835,490</u>	<u>672,634</u>	<u>1,310,015</u>	<u>2,340,523</u>	<u>12,667,689</u>	<u>21,004,428</u>
<b>Excess of revenues over expenses</b>	<u>\$ 18,182</u>	<u>\$ 490,011</u>	<u>\$ 1,113,769</u>	<u>\$ (179,265)</u>	<u>\$ (465,058)</u>	<u>\$ 200,438</u>	<u>\$ 2,835,490</u>	<u>\$ 672,634</u>	<u>\$ 1,310,015</u>	<u>\$ 2,340,523</u>	<u>\$ 12,667,689</u>	<u>\$ 21,004,428</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**OPERATIONS BY SEGMENT**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE XI**

For the Year Ended December 31, 2019	General government services	Protective services	Engineering and public works	Environmental health services	Forestry services	Community development	Recreation and cultural services	Water	Sewer	Reserve Funds	Capital	Consolidated
<b>Revenues</b>												
Taxation	\$ 5,114,966	\$ 8,827,164	\$ 5,251,432	\$ 181,489	\$ -	\$ 1,005,683	\$ 8,066,153	\$ 2,051,052	\$ 2,530,776	\$ 1,815,696	\$ 1,258,665	\$ 36,103,076
Sales of services	229,737	467,551	343,629	1,444,559	1,609,091	-	2,604,954	2,892,951	1,933,159	-	-	11,525,631
Other revenue from own sources	396,895	1,183,727	246,224	-	-	112,762	13,317	11,167	-	-	-	1,964,092
Return on investments	116,927	201,785	120,045	4,149	-	22,989	184,389	85,831	322,540	343,235	-	1,401,890
Grants and government transfers	-	269,291	2,713,817	-	-	155,700	28,070	120,039	-	-	-	3,286,917
Collections from developers and others	-	-	-	-	-	-	-	-	-	-	2,595,164	2,595,164
Actuarial adjustments to debt	10,913	39,492	24,005	-	-	-	274,117	31,370	-	-	-	379,897
Net gain on sale of tangible capital assets	-	-	63,759	-	-	-	-	-	-	-	-	63,759
	<u>5,869,438</u>	<u>10,989,010</u>	<u>8,762,911</u>	<u>1,630,197</u>	<u>1,609,091</u>	<u>1,297,134</u>	<u>11,171,000</u>	<u>5,192,410</u>	<u>4,786,475</u>	<u>2,158,931</u>	<u>3,853,829</u>	<u>57,320,426</u>
<b>Expenses</b>												
Salaries, wages and benefits	4,547,593	3,251,099	2,831,887	570,762	332,630	908,098	4,787,990	1,285,212	835,654	-	-	19,350,925
Contract services	1,264,504	5,544,032	1,176,455	747,389	900,958	186,414	2,428,118	631,014	1,129,691	-	-	14,008,575
Materials and supplies	(33,915)	689,542	786,828	351,996	83,747	74,285	1,840,582	1,485,291	843,671	-	-	6,122,027
Amortization	207,744	488,289	5,398,045	75,921	11,214	-	1,208,922	1,080,192	1,098,914	-	-	9,569,241
Interest	57,750	42,050	146,919	-	-	-	535,144	131,199	23,667	-	-	936,729
<b>Expenditures before losses, write downs and transfers</b>	6,043,676	10,015,012	10,340,134	1,746,068	1,328,549	1,168,797	10,800,756	4,612,908	3,931,597	-	-	49,987,497
Loss on sale, write downs and transfer of TCA	-	-	60,381	-	-	-	31,490	1,919	46,991	-	-	140,781
	<u>6,043,676</u>	<u>10,015,012</u>	<u>10,400,515</u>	<u>1,746,068</u>	<u>1,328,549</u>	<u>1,168,797</u>	<u>10,832,246</u>	<u>4,614,827</u>	<u>3,978,588</u>	<u>-</u>	<u>-</u>	<u>50,128,278</u>
<b>Excess of revenues over expenses</b>	<u>\$ (174,238)</u>	<u>\$ 973,998</u>	<u>\$ (1,637,604)</u>	<u>\$ (115,871)</u>	<u>\$ 280,542</u>	<u>\$ 128,337</u>	<u>\$ 338,754</u>	<u>\$ 577,583</u>	<u>\$ 807,887</u>	<u>\$ 2,158,931</u>	<u>\$ 3,853,829</u>	<u>\$ 7,192,148</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**COVID-19 SAFE RESTART GRANT**  
FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE XII**

	<u>2020</u>
<b>Balance, beginning of year</b>	\$ -
<b>Receipt of funds</b>	4,419,000
<b>Uses of funds</b>	
Revenue shortfall - Cowichan Aquatic Centre	844,471
Revenue shortfall - Fuller Lake Arena	144,222
Unplanned pandemic expenditures	<u>681,400</u>
	<u>1,670,093</u>
<b>Balance, end of year</b>	<u>\$ 2,748,907</u>

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
Financial Statements

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(Audited)

**DECEMBER 31, 2020**

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
FOR THE YEAR ENDED DECEMBER 31, 2020

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DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
FOR THE YEAR ENDED DECEMBER 31, 2020

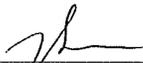
## Statement of Responsibility

The accompanying financial statements are the responsibility of the management of the Duncan - North Cowichan Joint Utilities Board and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative control designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The North Cowichan Municipal Council met with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters before approving the financial statements.

KPMG LLP, as the Duncan – North Cowichan Joint Utilities Board’s appointed external auditors, has audited the financial statements. The Auditor’s report is addressed to the Duncan – North Cowichan Joint Utilities Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Duncan – North Cowichan Joint Utilities Board in accordance with Canadian public sector accounting standards.



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Talitha Soldera  
Director, Financial Services  
May 13, 2021



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 AUDITORS' REPORT

To the Board of Directors of Duncan – North Cowichan Joint Utilities Board

### **Opinion**

We have audited the financial statements of A Duncan – North Cowichan Joint Utilities Board (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations 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 Entity as at December 31, 2020, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

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

We are independent of the Entity 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.

### **Other Matter – Comparative Information**

The financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 6, 2020.

### **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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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.

*KPMG LLP*

Chartered Professional Accountants

Victoria, Canada  
May 12, 2021

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**STATEMENT OF FINANCIAL POSITION**  
AS AT DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

	<u>2020 Actual</u>	<u>2019 Actual</u>
<b>Financial Assets</b>		
Investments (Notes 3 and 5)	\$ 4,410,600	\$ 4,343,491
<b>Financial Liabilities</b>		
Unearned revenue	<u>2,483,177</u>	<u>2,567,422</u>
<b>Net Financial Assets</b>	<u>1,927,423</u>	<u>1,776,069</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule I)	<u>3,243,928</u>	<u>3,118,061</u>
<b>Accumulated Surplus</b>	<u><u>\$ 5,171,351</u></u>	<u><u>\$ 4,894,130</u></u>

Approved by:



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T. Soldera  
Director, Financial Services

See accompanying notes to the financial statements.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**STATEMENT OF OPERATIONS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

	2020 Budget	2020 Actual	2019 Actual
<b>Revenues</b>			
<b>Contributions from:</b>			
The Corporation of the District of North Cowichan	\$ 921,110	\$ 676,435	\$ 757,977
The Corporation of the City of Duncan	548,295	395,448	447,810
Cowichan Valley Regional District	229,874	201,710	221,087
Cowichan Tribes	33,639	27,008	30,402
Return on investments	-	36,154	37,385
Grants and government transfers	667,000	272,700	-
	<u>2,399,918</u>	<u>1,609,455</u>	<u>1,494,661</u>
<b>Expenses</b>			
Administration	50,860	59,181	59,764
Amortization	-	89,849	89,849
Sewer lagoon operations and maintenance	1,050,093	1,183,204	1,088,121
	<u>1,100,953</u>	<u>1,332,234</u>	<u>1,237,734</u>
<b>Annual Surplus</b>	\$ 1,298,965	277,221	256,927
<b>Accumulated surplus, beginning of year</b>	<u>4,894,130</u>	<u>4,894,130</u>	<u>4,637,203</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 6,193,095</u>	<u>\$ 5,171,351</u>	<u>\$ 4,894,130</u>

See accompanying notes to the financial statements

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

**1. SUMMARY OF OPERATIONS**

The Duncan – North Cowichan Joint Utilities Board is a government partnership that operates and maintains joint sewer lagoons on behalf of the City of Duncan and the District of North Cowichan. The distribution of expenditures related to operations is based on the number of users in each municipality.

**2. SIGNIFICANT ACCOUNTING POLICIES**

It is the Board's policy to follow Canadian public sector accounting standards and to apply such principles consistently. The following is a summary of the Board's significant policies:

**a) Basis of Accounting**

The Board follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the delivery of goods or services and/or upon the creation of a legal obligation to pay. Expenses paid in the current period and attributable to a future period are recorded as prepaid.

**b) Revenue recognition**

- i) Contributions from partners are recognized when invoiced.
- ii) Government transfers are recognized 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 are included in deferred revenue.

**c) Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit in qualifying institutions as defined in the Community Charter.

**d) 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 change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

**e) Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Donated assets are recorded at their estimated fair value upon acquisition. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2020

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**e) Tangible Capital Assets continued**

Buildings	15 to 50 years
Engineering Structures	10 to 60 years
Machinery & Equipment	5 to 40 years

Amortization is charged on a monthly basis, starting the month following the date of acquisition and ending in the month of disposition. Capital works in progress are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate they no longer contribute to the Board'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.

**f) Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles as recommended by PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. A significant area requiring the use of management estimates relate to the determination of amortization of capital assets. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

**3. INVESTMENTS**

Investments are carried at cost, which at December 31, 2020, would approximate market value. The balance of investments has been internally restricted by the Board and is to be expended in accordance with the terms of the reserve for capital expenditure.

**4. OPERATING LEASE**

The Board leased the sewage lagoon lands under an operating lease which expires July 31, 2060. Future minimum lease payments are \$400,300 per annum with an estimated annual increase of 2.2%.

**5. FINANCIAL INSTRUMENTS**

The Board's financial instruments consist of investments. The carrying amount of these financial instruments approximates their fair value because they are short-term in nature or because they bear interest at market rates.

Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest or credit risks arising from these financial instruments.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**6. CAPITAL RESERVE FUNDS**

The Capital reserve funds are non-statutory reserves, for the purpose of future capital expenditures, established at the discretion of the Board. Balances and changes are outlined as follows:

	2020	2019
Balances, beginning of year	\$ 1,776,069	\$ 1,623,485
Add: transfers from current operations	151,354	152,584
<b>Balance, end of year</b>	<b>\$ 1,927,423</b>	<b>\$ 1,776,069</b>

**7. LISTING OF OPERATING EXPENSES BY OBJECT TYPE**

The following provides a summary of operating expenses by object:

	2020	2019
Salaries, wages and benefits	\$ 236,577	\$ 210,870
Contract services	48,192	37,420
Amortization	89,849	89,849
Materials and supplies	569,807	520,133
Land rent	387,809	379,461
<b>Total expense</b>	<b>\$ 1,332,234</b>	<b>\$ 1,237,733</b>

**8. STATEMENT OF CASH FLOWS**

A statement of cash flows has not been prepared as it is not considered to provide any additional information.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**TANGIBLE CAPITAL ASSETS**  
 FOR THE YEAR ENDED DECEMBER 31, 2020

**SCHEDULE I**

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Balance December 31, 2019	2020 Additions	2020 Disposals	2020 Write-downs	Balance December 31, 2020	Balance December 31, 2019	2020 Additions	2020 Disposals	Balance December 31, 2020	2019	2020
Buildings	\$ 192,388	\$ -	\$ -	\$ -	\$ 192,388	\$ 10,020	\$ 4,810	\$ -	\$ 14,830	\$ 182,368	\$ 177,558
Engineering Structures	2,485,490	-	-	-	2,485,490	376,966	49,711	-	426,677	2,108,524	2,058,813
Machinery & Equipment	706,581	-	-	-	706,581	73,602	35,329	-	108,931	632,979	597,650
Work In Progress	194,191	215,716	-	-	409,907	-	-	-	-	194,191	409,907
	<u>\$ 3,578,650</u>	<u>\$ 215,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,794,366</u>	<u>\$ 460,588</u>	<u>\$ 89,849</u>	<u>\$ -</u>	<u>\$ 550,438</u>	<u>\$ 3,118,062</u>	<u>\$ 3,243,928</u>