

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
Financial Statements

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(Audited)

**DECEMBER 31, 2024**

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
FOR THE YEAR ENDED DECEMBER 31, 2024

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**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 Board of Directors of Duncan – North Cowichan Joint Utilities Board

### ***Opinion***

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

- the statement of financial position as at December 31, 2024
- 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, 2024, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

### ***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.

### ***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 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 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 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Victoria, Canada  
May 8, 2025

## 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.

*Teri Vetter*

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Teri Vetter, CPA, CGA, BCom  
Director, Financial Services  
May 8, 2025

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**STATEMENT OF FINANCIAL POSITION**  
AS AT DECEMBER 31, 2024, WITH COMPARATIVE INFORMATION FOR 2023

|                                      | <b>2024<br/>Actual</b> | 2023<br>Actual |
|--------------------------------------|------------------------|----------------|
| <b>Financial Assets</b>              |                        |                |
| Investments (Notes 4 and 6)          | <b>\$ 4,609,104</b>    | \$ 4,412,575   |
| <b>Liabilities</b>                   |                        |                |
| Asset retirement obligation (Note 7) | <b>50,453,431</b>      | 53,595,259     |
| Unearned revenue                     | <b>1,911,905</b>       | 1,954,934      |
|                                      | <b>52,365,336</b>      | 55,550,193     |
| <b>Net Financial Liabilities</b>     | <b>(47,756,232)</b>    | (51,137,618)   |
| <b>Non-Financial Assets</b>          |                        |                |
| Tangible capital assets (Schedule I) | <b>49,102,417</b>      | 55,215,650     |
| <b>Accumulated Surplus (Note 8)</b>  | <b>\$ 1,346,185</b>    | \$ 4,078,032   |

Approved by:



Teri Vetter, CPA, CGA  
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, 2024, WITH COMPARATIVE INFORMATION FOR 2023

|                                                   | 2024<br>Budget<br>(Note 10) | 2024<br>Actual                    | 2023<br>Actual             |
|---------------------------------------------------|-----------------------------|-----------------------------------|----------------------------|
| <b>Revenues</b>                                   |                             |                                   |                            |
| <b>Contributions from:</b>                        |                             |                                   |                            |
| The Corporation of the District of North Cowichan | \$ 2,543,955                | \$ <b>924,339</b>                 | \$ 786,520                 |
| The Corporation of the City of Duncan             | 1,452,035                   | <b>482,807</b>                    | 425,353                    |
| Cowichan Valley Regional District                 | 651,949                     | <b>256,409</b>                    | 219,271                    |
| Cowichan Tribes                                   | 104,503                     | <b>43,123</b>                     | 37,430                     |
| Return on investments                             | -                           | <b>124,357</b>                    | 119,760                    |
| Grants and government transfers                   | 1,780,200                   | <b>283,898</b>                    | 316,524                    |
|                                                   | <u>6,532,642</u>            | <u><b>2,114,933</b></u>           | <u>1,904,858</u>           |
| <b>Expenses</b>                                   |                             |                                   |                            |
| Administration                                    | 62,400                      | <b>63,847</b>                     | 62,844                     |
| Amortization                                      | 89,850                      | <b>1,312,412</b>                  | 1,458,801                  |
| Accretion                                         | -                           | <b>2,186,492</b>                  | 2,145,457                  |
| Sewer lagoon operations and maintenance           | 1,345,041                   | <b>1,284,029</b>                  | 1,256,880                  |
|                                                   | <u>1,497,291</u>            | <u><b>4,846,780</b></u>           | <u>4,923,982</u>           |
| <b>Annual Surplus (Deficit)</b>                   | \$ 5,035,350                | <b>(2,731,847)</b>                | (3,019,124)                |
| <b>Accumulated surplus, beginning of year</b>     | <u>4,078,032</u>            | <u><b>4,078,032</b></u>           | <u>7,097,156</u>           |
| <b>Accumulated surplus, end of year</b>           | <u><u>\$ 9,113,383</u></u>  | <u><u><b>\$ 1,346,185</b></u></u> | <u><u>\$ 4,078,032</u></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, 2024

**1. 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) Revenues from transactions without performance obligations are recognized when the Board has the right to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to the economic resources. Revenues from transactions with performance obligations are recognized when (at a point in time) or as (over a period of time) the Board satisfies the performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor.
- 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 or stipulations not met are included in unearned 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:

|           |                |
|-----------|----------------|
| Buildings | 15 to 50 years |
|-----------|----------------|



DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2024

**1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**e) Tangible Capital Assets continued**

|                        |                |
|------------------------|----------------|
| 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) Asset Retirement**

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Board to incur retirement costs, 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. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the board reviews the carrying amount of the liability. The Board recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Board continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2024

**1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**g) Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. An area requiring the use of management estimates relate to the determination of amortization of capital assets and asset retirement obligations. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

**2. CHANGE IN ACCOUNTING POLICY**

On January 1, 2024, the Board adopted Public Sector Accounting Standard PS 3400 Revenue (PS 3400) on a prospective basis. The new accounting standard provides direction on accounting for revenues that are not in scope of other existing standards. All revenue streams in scope of PS 3400 have historically been accounted for in accordance with the new standards. Management has assessed the adoption of PS 3400 and have determined that it has had no impact on the financial statements.

**3. 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.

**4. INVESTMENTS**

Investments are carried at cost, which at December 31, 2024, 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.

**5. OPERATING LEASE**

The Board leases the sewage lagoon lands under an operating lease which expires July 31, 2060. Lease payments for 2024 are \$432,902 and have an annual increase of 2.2%. The total lease payments over the remaining term are estimated at \$23.9 million.

**6. 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.

Financial instruments are recorded at fair value on initial recognition. Derivative instruments, equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost unless management has elected to carry the instruments at fair value. Management has elected not to carry any instruments at fair value.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2024

**6. FINANCIAL INSTRUMENTS CONTINUED**

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method or effective interest rate method. 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 and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Operations.

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.

**7. ASSET RETIREMENT OBLIGATION**

**Lease Obligation**

The Board has a lease obligation that requires the full remediation of the land it leases to operate and maintain joint sewer lagoons to be returned to its original state at the end of the lease. Following the adoption of PS 3280 - *Asset retirement obligations*, the Board recognized an obligation relating to full remediation of the leased lands as estimated at January 1, 2023. The lease term was for 49 years and expires on July 31, 2060. Estimated costs have been discounted using the present value calculation with a discount rate of 4.53% (2023 - 4.17%) The increase in these capital assets is amortized on a straight-line basis over the remaining term of the lease.

Discount and inflation rates in the future are estimates and subject to change. These changes can impact ARO's value significantly when being applied over an extended period of time.

**Total Asset Retirement Obligation**

|                                  | <b>2024</b>          | <b>2023</b>          |
|----------------------------------|----------------------|----------------------|
| Balance, beginning of year       | \$ 53,595,259        | \$ -                 |
| Retirement obligation            | -                    | 51,449,802           |
| Change in estimated cash flows   | (5,328,320)          | -                    |
| Accretion expense                | 2,186,492            | 2,145,457            |
| <b>Estimated total liability</b> | <b>\$ 50,453,431</b> | <b>\$ 53,595,259</b> |

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2024

**8. CAPITAL RESERVE FUNDS**

Included in the accumulated surplus are 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:

|                                        | <b>2024</b>         | <b>2023</b>  |
|----------------------------------------|---------------------|--------------|
| Balances, beginning of year            | \$ 2,457,641        | \$ 2,222,681 |
| Add: transfers from current operations | <b>239,557</b>      | 234,960      |
| <b>Balance, end of year</b>            | <b>\$ 2,697,198</b> | \$ 2,457,641 |

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

The following provides a summary of operating expenses by object:

|                              | <b>2024</b>         | <b>2023</b>  |
|------------------------------|---------------------|--------------|
| Salaries, wages and benefits | \$ 272,061          | \$ 264,214   |
| Contract services            | <b>65,805</b>       | 34,923       |
| Amortization                 | <b>1,312,412</b>    | 1,458,801    |
| Accretion                    | <b>2,186,492</b>    | 2,145,457    |
| Materials and supplies       | <b>577,108</b>      | 582,561      |
| Land rent                    | <b>432,902</b>      | 438,026      |
| <b>Total Expenses</b>        | <b>\$ 4,846,780</b> | \$ 4,923,982 |

**10. BUDGET DATA**

The budget data presented in these financial statements is based upon the 2024-2028 Financial Plan Bylaw. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

|                                           | <b>2024</b>         |
|-------------------------------------------|---------------------|
| Financial Plan Bylaw surplus for the year | \$ -                |
| Add back:                                 |                     |
| Capital expenditures                      | 5,010,000           |
| Less:                                     |                     |
| Amortization                              | (89,850)            |
| Budgeted transfers to reserve funds       | 115,200             |
| <b>Adjusted Annual Surplus</b>            | <b>\$ 5,035,350</b> |

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2024

**11. FINANCIAL STATEMENT PRESENTATION**

The statements of changes in net financial liabilities, remeasurement gains and losses, and cash flows have not been prepared as they are not considered to provide any additional useful information.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**TANGIBLE CAPITAL ASSETS**  
FOR THE YEAR ENDED DECEMBER 31, 2024

**SCHEDULE I**

|                        | COST                            |                   |                   |                               | ACCUMULATED AMORTIZATION        |                                 |                     |                   | NET BOOK VALUE                  |                      |                      |
|------------------------|---------------------------------|-------------------|-------------------|-------------------------------|---------------------------------|---------------------------------|---------------------|-------------------|---------------------------------|----------------------|----------------------|
|                        | Balance<br>December 31,<br>2023 | 2024<br>Additions | 2024<br>Disposals | 2024<br>Change in<br>Estimate | Balance<br>December 31,<br>2024 | Balance<br>December 31,<br>2023 | 2024<br>Additions   | 2024<br>Disposals | Balance<br>December 31,<br>2024 | 2023                 | 2024                 |
| Buildings              | \$ 192,388                      | \$ -              | \$ -              | \$ -                          | \$ 192,388                      | \$ 29,259                       | \$ 4,810            | \$ -              | \$ 34,069                       | \$ 163,129           | \$ 158,319           |
| Engineering Structures | 53,935,292                      | -                 | -                 | 5,328,320                     | 48,606,972                      | 1,944,758                       | 1,272,273           | -                 | 3,217,031                       | 51,990,534           | 45,389,941           |
| Machinery & Equipment  | 706,581                         | -                 | -                 | -                             | 706,581                         | 214,918                         | 35,329              | -                 | 250,247                         | 491,663              | 456,334              |
| Work In Progress       | 2,570,324                       | 527,499           | -                 | -                             | 3,097,823                       | -                               | -                   | -                 | -                               | 2,570,324            | 3,097,823            |
|                        | <u>\$ 57,404,585</u>            | <u>\$ 527,499</u> | <u>\$ -</u>       | <u>\$ 5,328,320</u>           | <u>\$ 52,603,764</u>            | <u>\$ 2,188,935</u>             | <u>\$ 1,312,412</u> | <u>\$ -</u>       | <u>\$ 3,501,347</u>             | <u>\$ 55,215,650</u> | <u>\$ 49,102,417</u> |