

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
Consolidated Financial Statements

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(Audited)

**DECEMBER 31, 2019**

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
FOR THE YEAR ENDED DECEMBER 31, 2019

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THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
FOR THE YEAR ENDED DECEMBER 31, 2019

## 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.

Grant Thornton 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.



Mark Frame  
General Manager, Financial and Protective Services  
May 6, 2020

## Independent auditor's report

To the Mayor and members of Council 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 District"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of The District of North Cowichan as at December 31, 2019, and the results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Grant Thornton LLP*

Duncan, Canada  
May 6, 2020

Chartered Professional Accountants

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT DECEMBER 31, 2019, WITH COMPARATIVE FIGURES FOR 2018

	2019 Actual	2018 Actual
<b>Financial Assets</b>		
Cash (Notes 2 and 4)	\$ 2,266,463	\$ 3,720,166
Temporary investments (Notes 2 and 4)	73,350,782	63,950,386
Accounts receivable (Note 5)	3,469,410	3,544,544
Deposit - Municipal Finance Authority (Note 8)	1,229,904	1,220,984
	<b>80,316,559</b>	<b>72,436,080</b>
<b>Financial Liabilities</b>		
Accounts payable and Accrued liabilities (Note 6)	4,657,259	4,843,070
Employee future benefits and compensation payable (Note 2)	3,901,220	3,811,400
Unearned revenue (Note 7)	5,826,092	5,986,952
Reserve - Municipal Finance Authority (Note 8)	1,229,904	1,220,984
Restricted reserves (Note 10)	11,848,893	10,168,279
Debenture debt (Note 12)	19,012,952	20,407,420
	<b>46,476,320</b>	<b>46,438,105</b>
<b>Net Financial Assets</b>	<b>33,840,239</b>	<b>25,997,975</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule X)	271,565,986	272,162,777
Inventory of supplies (Note 2)	539,943	539,270
Prepaid items	121,491	175,488
Property acquired for taxes (Note 2)	2,341,505	2,341,505
	<b>274,568,925</b>	<b>275,219,040</b>
<b>Accumulated Surplus (Note 14)</b>	<b>\$ 308,409,164</b>	<b>\$ 301,217,015</b>

Commitments and Contingent Liabilities (Note 13) and Subsequent Event (Note 19)

Approved by:

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M. Frame  
General Manager, Financial and Protective 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, 2019, WITH COMPARATIVE FIGURES FOR 2018

	2019 Budget	2019 Actual	2018 Actual
<b>Revenues</b>			
Taxation (Schedule I)	\$ 36,149,919	\$ 36,103,076	\$ 34,589,122
Sales of services (Schedule II)	10,566,021	11,525,631	11,036,880
Other revenue from own sources (Schedule III)	1,573,572	1,964,092	1,802,377
Return on investments	710,292	1,401,890	1,070,860
Grants and government transfers (Schedule IV)	6,328,700	3,286,917	2,774,959
Collections from developers and others	889,943	2,595,164	4,230,918
Actuarial adjustments to debt	-	379,897	328,399
Net gain on sale of tangible capital assets	-	63,759	2,561,425
	<u>56,218,447</u>	<u>57,320,426</u>	<u>58,394,940</u>
<b>Expenses</b>			
General government services (Schedule V)	6,171,154	6,043,676	5,176,681
Protective services (Schedule VI)	10,417,545	10,015,012	9,449,524
Engineering and public works (Schedule VII)	10,681,665	10,340,134	10,088,860
Environmental health services (Schedule VIII)	1,647,508	1,746,068	1,512,928
Forestry	1,518,561	1,328,549	1,185,156
Community development	1,131,698	1,168,797	1,295,591
Recreation and cultural services (Schedule IX)	10,726,130	10,800,755	10,826,990
Net loss on sale and write-downs of tangible capital assets	-	140,780	80,992
Water	4,263,949	4,612,909	4,514,520
Sewer	4,520,214	3,931,597	3,739,979
	<u>51,078,424</u>	<u>50,128,277</u>	<u>47,871,221</u>
<b>Annual Surplus</b>	<u>\$ 5,140,023</u>	<u>7,192,149</u>	10,523,719
<b>Accumulated surplus, beginning of year (Note 14)</b>		<u>301,217,015</u>	<u>290,693,296</u>
<b>Accumulated surplus, end of year (Note 14)</b>		<u>\$ 308,409,164</u>	<u>\$ 301,217,015</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, 2019, WITH COMPARATIVE FIGURES FOR 2018

	2019 Budget	2019 Actual	2018 Actual
<b>Annual Surplus</b>	<u>\$ 5,140,023</u>	<u>\$ 7,192,149</u>	<u>\$ 10,523,719</u>
Acquisition of tangible capital assets	(35,285,035)	<b>(6,707,957)</b>	(8,321,503)
Contributed tangible capital assets	-	<b>(2,411,588)</b>	(4,178,385)
Amortization of tangible capital assets	9,612,200	<b>9,569,240</b>	9,452,760
Net gain on sale of tangible capital assets	-	<b>(63,759)</b>	(2,561,425)
Net loss on sale of tangible capital assets	-	<b>15,963</b>	80,992
Proceeds on sale of tangible capital assets	-	<b>70,074</b>	3,053,365
Write-downs of tangible capital assets	-	<b>124,817</b>	-
	<u>(25,672,835)</u>	<u><b>596,790</b></u>	<u>(2,474,196)</u>
Decrease (increase) in prepaids	-	<b>53,998</b>	(67,801)
Decrease in inventories	-	<b>(673)</b>	(23,692)
	<u>-</u>	<u><b>53,325</b></u>	<u>(91,493)</u>
<b>Change in net financial assets</b>	(20,532,812)	<b>7,842,264</b>	7,958,030
<b>Net financial assets at beginning of year</b>	<u>25,997,975</u>	<u><b>25,997,975</b></u>	<u>18,039,945</u>
<b>Net financial assets at end of year</b>	<u><u>\$ 5,465,163</u></u>	<u><u>\$ 33,840,239</u></u>	<u><u>\$ 25,997,975</u></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, 2019, WITH COMPARITIVE FIGURES FOR 2018

	<u>2019</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
<b>Operating transactions</b>		
Annual surplus	\$ 7,192,149	\$ 10,523,719
<b>Non-cash items included in surplus:</b>		
Amortization	9,569,240	9,452,760
Actuarial adjustment to debt	(379,897)	(328,399)
Write-downs of tangible capital assets	124,818	-
Net gain on sale of tangible capital assets	(63,759)	(2,561,425)
Net loss on sale of tangible capital assets	15,963	80,992
Contributed tangible capital assets	<u>(2,411,588)</u>	<u>(4,178,385)</u>
	<b>14,046,926</b>	<b>12,989,262</b>
Accounts receivable	75,134	(74,887)
Inventory of supplies	(673)	(23,692)
Prepaid items	53,997	(67,802)
Accounts payable	(185,811)	614,340
Employee future benefits and compensation payable	89,820	68,189
Unearned revenue	(160,860)	612,967
Restricted reserves	<u>1,680,614</u>	<u>1,328,640</u>
Cash provided by operating transactions	<u><b>15,599,147</b></u>	<u>15,447,017</u>
<b>Capital transactions</b>		
Proceeds on sale of tangible capital assets	70,074	3,053,365
Cash applied to acquire tangible capital assets	<u>(6,707,957)</u>	<u>(8,321,503)</u>
Cash applied to capital transactions	<u><b>(6,637,883)</b></u>	<u>(5,268,138)</u>
<b>Investing transactions</b>		
Temporary investments	<u>(9,400,396)</u>	<u>(10,107,369)</u>
Cash applied to investing transactions	<u><b>(9,400,396)</b></u>	<u>(10,107,369)</u>
<b>Financing transactions</b>		
Repayment of debenture debt	<u>(1,014,571)</u>	<u>(1,013,626)</u>
Cash provided by financing transactions	<u><b>(1,014,571)</b></u>	<u>(1,013,626)</u>
<b>Change in cash and cash equivalents</b>	<b>(1,453,703)</b>	<b>(942,116)</b>
<b>Cash and Cash equivalents, beginning of year</b>	<u><b>3,720,166</b></u>	<u>4,662,282</u>
<b>Cash and Cash equivalents, end of year</b>	<u><u><b>\$ 2,266,463</b></u></u>	<u><u><b>\$ 3,720,166</b></u></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, 2019

**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.

**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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**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) INVESTMENTS**

Investments are recorded at cost which at December 31, 2019, 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.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**d) 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.

**e) 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 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.

**f) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on deposit in qualifying institutions as defined in the community charter.

**g) 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.

	2019	2018
Properties not available for sale	\$ 2,341,505	\$ 2,341,505

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**h) 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 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 compensation payable:

	<u>2019</u>	<u>2018</u>
Lieu time payable	\$ 890,820	\$ 846,300
Sick leave cash-out and severance benefits	<u>3,010,400</u>	<u>2,965,100</u>
	<u>\$ 3,901,220</u>	<u>\$ 3,811,400</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, 2019.

	<u>2019</u>	<u>2018</u>
Accrued benefit obligation	\$ 2,954,000	\$ 2,866,200
Unamortized actuarial gain/(loss)	<u>56,400</u>	<u>98,900</u>
Accrued benefit liability	<u>3,010,400</u>	<u>2,965,100</u>
Benefit expense:		
Current service cost	262,100	253,800
Interest cost	91,000	85,600
Amortization of net actuarial (gain)/loss	<u>(2,100)</u>	<u>(400)</u>
	<u>\$ 351,000</u>	<u>\$ 339,000</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**h) EMPLOYEE FUTURE BENEFITS AND COMPENSATION PAYABLE CONTINUED**

Significant actuarial assumptions as at December 31st include:

	<u>2019</u>	<u>2018</u>
Valuation interest rate	2.40%	3.20%
Rate of compensation increase	2.25%	2.75%
Expected coverage remaining service life (in years)	10	10

**i) 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 14.

- 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.

**j) 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.

**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.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**l) NON-FINANCIAL ASSETS**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. 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.

**m) 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:

<b>Land</b>	<b>Indefinite</b>
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.

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 2019 totaled \$2,411,588 (2018 - \$4,178,385) and were capitalized at their fair value at the time of receipt.

**n) MATERIALS AND SUPPLIES**

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

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**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.

**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>2019</u>	<u>2018</u>
Cash	\$ 2,266,463	\$ 3,720,166
Temporary investments	<u>73,350,782</u>	<u>63,950,386</u>
	<u>\$ 75,617,245</u>	<u>\$ 67,670,552</u>

Temporary Investments consist of short-term investments in the Municipal Finance Authority of BC money market and intermediate funds and CIBC high interest savings and the market value is equal to the carrying value. Temporary Investments have yields ranging from 1.86% to 2.46%.

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>2019</u>	<u>2018</u>
Restricted investments	\$ 29,167,218	\$ 24,283,110

**5. ACCOUNTS RECEIVABLE**

	<u>2019</u>	<u>2018</u>
Property taxes	\$ 1,929,934	\$ 1,757,315
Water rates	296,064	228,064
Federal government	314,076	232,813
Provincial government	252,479	624,155
Local government	491,537	326,910
General	<u>185,320</u>	<u>375,287</u>
	<u>\$ 3,469,410</u>	<u>\$ 3,544,544</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2019</u>	<u>2018</u>
General	\$ 4,226,731	\$ 4,209,428
Wages and salaries	288,105	479,802
Accrued interest	142,423	153,840
	<u>\$ 4,657,259</u>	<u>\$ 4,843,070</u>

**7. UNEARNED REVENUE**

	<u>2018</u>	<u>Contributions and interest</u>	<u>Revenue earned or refunded</u>	<u>2019</u>
Prepaid taxes and licenses	\$ 2,544,877	\$ 5,163,191	\$ 5,165,488	\$ 2,542,580
Service fees and deposits	3,087,924	1,574,622	1,657,036	3,005,510
Aquatic Centre unearned revenue	234,436	356,773	408,057	183,152
General unearned revenues	119,715	11,061	35,926	94,850
	<u>\$ 5,986,952</u>	<u>\$ 7,105,647</u>	<u>\$ 7,266,507</u>	<u>\$ 5,826,092</u>

**8. 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 details of the cash deposits and demand notes at year end are as follows:

	<u>2019</u>	<u>2018</u>
Cash deposits	\$ 391,880	\$ 382,960
Demand notes	838,024	838,024
	<u>\$ 1,229,904</u>	<u>\$ 1,220,984</u>



THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**9. 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>2019</b>	2018
<b>Assets</b>		
Cash and short term investments	<b>\$ 406,419</b>	\$ 386,200
	<b>406,419</b>	386,200
<b>Equity</b>		
Opening balances	<b>386,200</b>	370,678
Contributions	<b>20,219</b>	15,522
	<b>\$ 406,419</b>	\$ 386,200

**10. 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.

<u><b>Development Cost Charges</b></u>	<b>2019</b>	2018
Opening	<b>\$ 10,168,279</b>	\$ 8,839,639
Contributions	<b>1,497,948</b>	1,148,414
Return on investment	<b>246,666</b>	180,226
Amount spent	<b>(64,000)</b>	-
	<b>\$ 11,848,893</b>	\$ 10,168,279

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**11. 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. Included in the amount received during the year was a one-time payment of \$1,327,987.

<b><u>Federal Gas Tax Agreement Funds</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Opening balance of unspent funds	\$ 104,901	\$ 201,114
Add: Amount received during the year	2,632,266	1,327,987
Add: Return on investment	8,865	3,787
Less: Amount spent	<u>(1,104,279)</u>	<u>(1,427,987)</u>
	<b><u>\$ 1,641,753</u></b>	<b><u>\$ 104,901</u></b>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**12. DEBENTURE DEBT**

The Corporation issues debt instruments through MFA, 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>2019 Net Unmatured</b>	2018 Net Unmatured
<b>General Capital Fund</b>						
Maple Bay Fire Hall	95	1.80%	Apr 12, 2025	\$ 1,600,000	\$ 611,818	\$ 702,063
Maple Bay Fire Hall	103	2.65%	Apr 23, 2028	500,000	273,552	298,407
Cowichan Aquatic Ctr	104	2.90%	Nov 20, 2028	15,000,000	8,206,571	8,952,209
Cowichan Aquatic Ctr	106	2.25%	Oct 12, 2029	2,265,500	1,352,082	1,460,367
Duncan Curling Club	N/A	4.00%	Jan 15, 2032	551,500	382,836	406,980
Tier 2 Flood Protection	121	2.90%	Oct 4, 2032	745,475	547,746	579,423
Tier 2 Flood Protection	124	3.15%	Apr 8, 2033	1,000,000	777,253	818,110
Municipal Hall Expansion	126	3.85%	Sep 26, 2033	1,500,000	1,165,880	1,227,166
Stoney Hill Road	131	2.20%	Apr 8, 2040	2,000,000	1,783,571	1,840,501
Tier 4 Flood Protection	137	2.60%	Apr 19, 2036	1,700,000	1,513,273	1,577,668
Tier 4 Flood Protection	141	2.80%	Apr 7, 2037	200,000	184,890	192,557
				<u>27,062,475</u>	<u>16,799,472</u>	<u>18,055,451</u>
<b>Water Capital Fund</b>						
Chemainus	110	4.50%	April 8, 2030	1,750,000	1,128,070	1,208,498
Crofton	106	2.25%	Oct 13, 2029	530,000	316,311	341,644
Chemainus	137	2.60%	Apr 19, 2036	864,000	769,099	801,827
				<u>3,144,000</u>	<u>2,213,480</u>	<u>2,351,969</u>
				<u>\$ 30,206,475</u>	<u>\$ 19,012,952</u>	<u>\$ 20,407,420</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**12. DEBENTURE DEBT CONTINUED**

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

	<u>General</u>	<u>Water</u>	<u>Total</u>
Principal repayments:			
2020	\$ 908,437	\$ 107,118	\$ 1,015,555
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
Thereafter	<u>5,363,380</u>	<u>808,224</u>	<u>6,171,604</u>
	<u>9,916,228</u>	<u>1,343,814</u>	<u>11,260,042</u>
Actuarial sinking fund earnings:			
2020	396,666	36,746	433,412
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
Thereafter	<u>4,379,673</u>	<u>627,865</u>	<u>5,007,538</u>
	<u>6,883,244</u>	<u>869,666</u>	<u>7,752,910</u>
	<u>\$ 16,799,472</u>	<u>\$ 2,213,480</u>	<u>\$ 19,012,952</u>

Interest paid during the year was \$936,729 (2018 - \$1,257,163).

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**13. 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, 2018 the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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 \$1,253,377 (2018 - \$1,196,010) for employer contributions while employees contributed \$1,115,108 (2018 - \$1,048,365) to the Plan in fiscal 2019.

- 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, 2019

**14. ACCUMULATED SURPLUS**

	2019	2018
<b>Operating Funds</b>		
Unappropriated:		
General	\$ 4,071,994	\$ 3,308,704
Water Systems	4,164,137	3,732,812
Sewer Systems	15,064,228	13,978,592
	<b>23,300,359</b>	21,020,108
Appropriated:		
Reserves for property acquired for taxes	2,341,505	2,341,505
Reserves for future expenditures	10,052,275	9,223,372
Reserve for uncollected taxes	1,295,091	1,295,091
Reserve for Joint Utilities Board	953,434	871,614
	<b>14,642,305</b>	13,731,582
	<b>37,942,664</b>	34,751,690
<b>Capital Funds</b>		
General Capital	197,772,583	197,043,591
Water Capital	31,584,622	31,110,455
Sewer Capital	22,116,948	22,578,450
Joint Utilities Board Capital	1,674,020	1,617,996
	<b>253,148,173</b>	252,350,492

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**14. ACCUMULATED SURPLUS CONTINUED**

	<u>2019</u>	<u>2018</u>
<b>Reserve Funds</b>		
Land Sales	4,217,773	4,146,465
Machinery and Equipment	3,558,998	3,030,045
Local Area Service	1,019,925	882,701
Forest	2,145,499	2,012,439
Park Development	221,194	216,215
Parkland Purchase	553,755	442,143
Chemainus Parking	167,137	155,419
Agriculture	265,031	226,779
Self-Insurance	123,652	120,868
Climate Action and Energy Plan	494,610	398,762
Maple Bay Sewer	91,820	89,753
Cowichan Aquatic Centre	452,426	328,609
Evans Park	171,339	167,483
Fuller Lake Arena	72,537	70,904
Harbours Crofton	41,659	26,743
Harbours Chemainus	391,378	373,800
Mural Protection	39,797	28,931
Gas Tax	1,641,753	104,901
Quamichan Lake	52,511	-
Infrastructure Replacement	1,028,913	761,380
Gravel Pits	523,702	490,996
Affordable Housing	42,918	39,497
	<u>17,318,327</u>	<u>14,114,833</u>
<b>Accumulated Surplus</b>	<u>\$ 308,409,164</u>	<u>\$ 301,217,015</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**15. BUDGET DATA**

The budget data presented in these financial statements is based upon the 2019-2023 Financial Plan Bylaw adopted by council May 1, 2019. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	<b>2019</b>
Financial Plan Bylaw surplus for the year	\$ -
Add back:	
Principal debt repayment	1,086,673
Capital expenditures	35,285,035
Less:	
Amortization	(9,612,200)
Proceeds from borrowing	(10,000,000)
Budgeted transfers to reserve funds	(1,073,559)
Budgeted transfers from accumulated surplus	(10,545,926)
Adjusted Annual Surplus	<u>\$ 5,140,023</u>

**16. 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 2019, the Corporation's proportion for consolidation purposes was 53.69% (2018 – 53.69%). Condensed financial information for the Joint Utilities Boards is as follows:

	<b>2019</b>	<b>2018</b>
Net Financial Assets	<u>\$ 1,776,069</u>	<u>\$ 1,623,485</u>
Non-Financial Assets	<u>3,118,061</u>	<u>3,013,719</u>
Accumulated Surplus	<u>4,894,130</u>	<u>4,637,204</u>
Revenues	<u>\$ 1,494,661</u>	<u>\$ 1,615,680</u>
Expenses	<u>1,237,735</u>	<u>1,562,450</u>
Annual Surplus	<u>256,926</u>	<u>53,230</u>



THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**16. JOINT UTILITIES BOARD CONTINUED**

	2019	2018
<b>North Cowichan Proportionate Share:</b>		
Net Financial Assets	\$ 953,424	\$ 871,614
Non-Financial Assets	1,674,020	1,618,001
<b>Accumulated Surplus</b>	2,627,444	2,489,615
Revenues	\$ 802,452	\$ 867,424
Expenses	664,513	838,845
<b>Annual Surplus</b>	\$ 137,939	\$ 28,579

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 \$212,795 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 2019 the Corporation recorded a write up of assets in the amount of \$0 (2018 - \$0).

**17. 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.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2019

**17. SEGMENT REPORTING CONTINUED**

**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.

**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 CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**18. LISTING OF OPERATING EXPENDITURES BY OBJECT TYPE**

The following provides a summary of operating expenses by object:

	<u>2019</u>	<u>2018</u>
Salaries, wages and benefits	\$ 19,350,926	\$ 18,535,062
Contract services	14,008,575	13,055,682
Amortization	9,569,240	9,452,760
Materials and supplies	6,122,027	5,489,563
Interest	936,729	1,257,162
Loss on sale, write downs and transfer of TCA	140,780	80,992
<b>Total expense</b>	<b>\$ 50,128,277</b>	<b>\$ 47,871,221</b>

**19. SUBSEQUENT EVENT**

Since December 31, 2019, 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 District has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. 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.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**TAXATION**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE I**

	2019 Budget	2019	2018
<b>Municipal Purposes:</b>			
General taxation	\$ 30,020,821	\$ 30,011,990	\$ 28,743,000
Business Improvement Area	104,300	106,940	104,361
Local Area Service	95,348	95,348	95,348
Utilities	1,065,500	1,065,554	985,116
Grants-in-lieu of taxes	250,720	241,416	251,102
Water systems	2,061,757	2,051,052	1,959,150
Sewer systems	2,551,473	2,530,776	2,451,045
<b>Total Municipal Taxes</b>	<b>36,149,919</b>	<b>36,103,076</b>	<b>34,589,122</b>
<b>Collections for Other Governments:</b>			
School	12,241,000	12,286,609	11,892,401
Cowichan Valley Regional Hospital District	3,738,000	3,703,379	3,394,360
Cowichan Valley Regional District	7,792,000	8,750,061	8,120,734
BC Assessment	359,000	345,836	332,048
Municipal Finance Authority	1,100	1,469	1,312
<b>Total Collections for Other Governments</b>	<b>24,131,100</b>	<b>25,087,354</b>	<b>23,740,855</b>
	<b>60,281,019</b>	<b>61,190,430</b>	<b>58,329,977</b>
Deduct: requisitions remitted to other taxing authorities	(24,131,100)	(25,087,354)	(23,740,855)
<b>Total Taxes Levied</b>	<b>\$ 36,149,919</b>	<b>\$ 36,103,076</b>	<b>\$ 34,589,122</b>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**SALES OF SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE II**

	2019 Budget	2019	2018
General government service	\$ 121,500	\$ <b>125,935</b>	\$ 178,688
Protective services	247,336	<b>248,164</b>	253,012
Fire protection	199,338	<b>219,387</b>	203,413
Engineering and public works	275,941	<b>343,629</b>	334,745
Residential garbage - municipal	1,263,840	<b>1,304,755</b>	1,225,360
Forestry	1,382,660	<b>1,609,091</b>	1,463,809
Cowichan Aquatic Centre	2,020,895	<b>2,054,025</b>	1,993,623
Fuller Lake Arena	300,520	<b>268,877</b>	284,575
Other recreation	57,300	<b>62,172</b>	75,809
Wharves	232,020	<b>219,880</b>	220,445
Miscellaneous	115,461	<b>103,802</b>	115,851
Cemetery	124,740	<b>139,804</b>	113,700
Water	2,528,965	<b>2,892,951</b>	2,811,020
Sewer	1,695,505	<b>1,933,159</b>	1,762,830
	<u>\$ 10,566,021</u>	<u>\$ <b>11,525,631</b></u>	<u>\$ 11,036,880</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**OTHER REVENUE FROM OWN SOURCES**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE III**

	2019 Budget	<b>2019</b>	2018
Licences and permits	\$ 943,709	<b>\$ 1,278,595</b>	\$ 1,149,627
Tax penalties and interest	330,000	<b>370,615</b>	338,034
Fines	4,500	<b>8,320</b>	4,202
Rentals	285,304	<b>295,395</b>	299,141
Water	10,059	<b>11,167</b>	11,373
	<b>\$ 1,573,572</b>	<b>\$ 1,964,092</b>	<b>\$ 1,802,377</b>
	<b>\$ 1,573,572</b>	<b>\$ 1,964,092</b>	<b>\$ 1,802,377</b>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**GRANTS AND GOVERNMENT TRANSFERS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE IV**

	2019 Budget	2019	2018
<b>Operating Grants</b>			
Traffic fines revenue	\$ 270,000	\$ <b>254,242</b>	\$ 271,673
Other grants	312,070	<b>237,770</b>	83,331
	582,070	<b>492,012</b>	355,004
<b>Capital Grants</b>			
Fuel tax	3,705,000	<b>2,632,266</b>	1,327,987
<i>Infrastructure Grants (Prov/Fed)</i>			
Water	287,430	<b>120,039</b>	1,077,668
Sewer	667,000	-	-
Other	1,067,200	-	-
	2,021,630	<b>120,039</b>	1,077,668
<i>Provincial and Other Grants</i>			
ICBC grants	20,000	<b>42,600</b>	14,300
	20,000	<b>42,600</b>	14,300
	\$ 6,328,700	\$ <b>3,286,917</b>	\$ 2,774,959

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**GENERAL GOVERNMENT SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE V**

	2019 Budget	<b>2019</b>	2018
Legislative	\$ 322,068	<b>\$ 350,358</b>	\$ 255,952
Administrative	2,473,006	<b>2,341,553</b>	1,905,534
Financial services	2,735,462	<b>2,711,414</b>	2,399,104
Common services	999,958	<b>1,044,939</b>	814,284
Miscellaneous	158,290	<b>124,858</b>	282,370
Administration recoveries	(794,920)	<b>(794,940)</b>	(760,304)
Interest	57,750	<b>57,750</b>	57,750
Amortization	219,540	<b>207,744</b>	221,991
	<u>\$ 6,171,154</u>	<u><b>\$ 6,043,676</b></u>	<u>\$ 5,176,681</u>



THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**PROTECTIVE SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE VI**

	2019 Budget	2019	2018
Police protection:			
R.C.M.P. contract	\$ 5,417,129	\$ <b>4,993,901</b>	\$ 4,617,418
Municipal employees	1,489,395	<b>1,459,929</b>	1,461,757
Crime prevention	7,450	<b>7,100</b>	7,100
Building maintenance	241,090	<b>300,581</b>	310,324
Bylaw enforcement	331,636	<b>405,195</b>	218,469
	7,486,700	<b>7,166,706</b>	6,615,068
Fire protection:			
General fire protection	238,198	<b>200,490</b>	108,006
Chemainus fire hall	333,576	<b>335,557</b>	375,915
Crofton fire hall	296,370	<b>346,917</b>	315,438
Maple Bay fire hall	302,815	<b>365,115</b>	303,662
South End fire hall	435,780	<b>433,023</b>	416,715
	1,606,739	<b>1,681,102</b>	1,519,736
Other protection:			
Building and plumbing inspections	492,576	<b>462,317</b>	588,413
Animal control	173,550	<b>154,171</b>	150,992
Weed control	3,240	<b>2,973</b>	7,357
Mosquito control	20,000	<b>17,404</b>	18,547
	689,366	<b>636,865</b>	765,309
Interest	136,050	<b>42,050</b>	45,160
Amortization	498,690	<b>488,289</b>	504,251
	634,740	<b>530,339</b>	549,411
	\$ 10,417,545	\$ <b>10,015,012</b>	\$ 9,449,524

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**ENGINEERING AND PUBLIC WORKS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE VII**

	2019 Budget	2019	2018
Administration	\$ 1,673,582	\$ <b>1,464,507</b>	\$ 1,099,249
Small tools and equipment	55,810	<b>56,330</b>	55,958
Workshop and yard maintenance	185,104	<b>207,342</b>	200,658
Roads - construction	226,595	<b>67,863</b>	437,683
Roadway and surfaces maintenance	1,527,767	<b>1,224,265</b>	1,206,828
Snow and ice removal	376,115	<b>606,540</b>	288,736
Bridge - maintenance	5,800	<b>11,085</b>	2,267
Street lighting	461,090	<b>479,307</b>	486,945
Signs and line painting	326,380	<b>332,055</b>	334,078
Drainage	716,082	<b>577,846</b>	658,890
Sidewalk maintenance	20,390	<b>4,088</b>	8,472
Other transportation	279,020	<b>341,986</b>	177,498
Administration recoveries	(611,680)	<b>(578,044)</b>	(367,048)
Interest	146,920	<b>146,919</b>	146,919
Amortization	5,292,690	<b>5,398,045</b>	5,351,727
	<u>\$ 10,681,665</u>	<u>\$ <b>10,340,134</b></u>	<u>\$ 10,088,860</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**ENVIRONMENTAL HEALTH SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE VIII**

	2019 Budget	<b>2019</b>	2018
Garbage collection and recycling	\$ 1,117,486	<b>\$ 1,316,239</b>	\$ 1,102,804
Cemetery	149,420	<b>173,935</b>	172,982
Energy Manager	159,762	<b>134,211</b>	94,832
Energy Upgrades Buildings	132,000	<b>45,762</b>	52,479
Amortization	88,840	<b>75,921</b>	89,831
	<u>\$ 1,647,508</u>	<u><b>\$ 1,746,068</b></u>	<u>\$ 1,512,928</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**RECREATION AND CULTURAL SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE IX**

	2019 Budget	<b>2019</b>	2018
Administration	\$ 193,329	<b>\$ 142,307</b>	\$ 126,643
Crofton swimming pool	73,773	<b>71,667</b>	81,440
Cowichan Aquatic Centre	3,793,240	<b>3,897,481</b>	3,635,336
Fuller Lake Arena	977,410	<b>962,470</b>	1,040,223
Parks common services	59,840	<b>69,119</b>	66,482
Community recreation program	119,210	<b>136,013</b>	105,044
Chemainus parks and playgrounds	461,198	<b>408,623</b>	421,194
Crofton parks and playgrounds	207,287	<b>198,253</b>	193,086
South End parks and playgrounds	1,275,545	<b>1,303,538</b>	1,313,422
Wharves	165,210	<b>163,995</b>	157,358
Library	1,485,123	<b>1,485,124</b>	1,425,076
Grants-in-aid	220,630	<b>218,099</b>	254,026
Interest	544,405	<b>535,144</b>	844,900
Amortization	1,149,930	<b>1,208,922</b>	1,162,760
	<u>\$ 10,726,130</u>	<u><b>\$ 10,800,755</b></u>	<u>\$ 10,826,990</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**TANGIBLE CAPITAL ASSETS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE X**

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Balance December 31, 2018	2019 Additions	2019 Disposals	2019 Write-downs	Balance December 31, 2019	Balance December 31, 2018	2019 Additions	2019 Disposals	Balance December 31, 2019	2018	2019
Land	\$ 43,876,297	\$ 2,041,521	\$ -	\$ -	\$ 45,917,818	\$ -	\$ -	\$ -	\$ -	\$ 43,876,297	\$ 45,917,818
Land Improvements	13,466,271	590,632	19,500	-	14,037,403	5,758,638	619,732	19,500	6,358,870	7,707,633	7,678,533
Buildings	47,523,531	664,548	8,030	-	48,180,049	19,066,091	1,205,013	8,030	20,263,074	28,457,440	27,916,975
Engineering Structures	290,693,749	5,235,417	54,884	-	295,874,282	123,749,894	5,902,716	47,059	129,605,551	166,943,855	166,268,731
Machinery & Equipment	41,430,771	4,224,555	481,208	-	45,174,118	22,374,523	1,841,780	466,754	23,749,549	19,056,248	21,424,569
Work In Progress	6,121,304	1,479,490	5,116,617	124,817	2,359,360	-	-	-	-	6,121,304	2,359,360
	<u>\$ 443,111,923</u>	<u>\$ 14,236,163</u>	<u>\$ 5,680,239</u>	<u>\$ 124,817</u>	<u>\$ 451,543,030</u>	<u>\$ 170,949,146</u>	<u>\$ 9,569,240</u>	<u>\$ 541,343</u>	<u>\$ 179,977,044</u>	<u>\$ 272,162,777</u>	<u>\$ 271,565,986</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**OPERATIONS BY SEGMENT**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**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	4,787,989	1,285,213	835,654	-	-	19,350,926
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	-	-	9,569,240
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	10,800,755	4,612,909	3,931,597	-	-	49,987,497
Loss on sale, write downs and transfer of TCA	-	-	60,380	-	-	-	31,490	1,919	46,991	-	-	140,780
	<u>6,043,676</u>	<u>10,015,012</u>	<u>10,400,514</u>	<u>1,746,068</u>	<u>1,328,549</u>	<u>1,168,797</u>	<u>10,832,245</u>	<u>4,614,828</u>	<u>3,978,588</u>	<u>-</u>	<u>-</u>	<u>50,128,277</u>
	<u>(174,238)</u>	<u>973,998</u>	<u>(1,637,603)</u>	<u>(115,871)</u>	<u>280,542</u>	<u>128,337</u>	<u>338,755</u>	<u>577,582</u>	<u>807,887</u>	<u>2,158,931</u>	<u>3,853,829</u>	<u>7,192,149</u>
<b>Excess of revenues over expenses</b>	<u>\$ (174,238)</u>	<u>\$ 973,998</u>	<u>\$ (1,637,603)</u>	<u>\$ (115,871)</u>	<u>\$ 280,542</u>	<u>\$ 128,337</u>	<u>\$ 338,755</u>	<u>\$ 577,582</u>	<u>\$ 807,887</u>	<u>\$ 2,158,931</u>	<u>\$ 3,853,829</u>	<u>\$ 7,192,149</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**OPERATIONS BY SEGMENT**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE XI**

For the Year Ended December 31, 2018	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	\$ 3,875,561	\$ 7,577,920	\$ 5,314,970	\$ 131,220	\$ -	\$ 893,833	\$ 7,494,928	\$ 1,959,150	\$ 2,451,045	\$ 1,479,299	\$ 3,411,196	\$ 34,589,122
Sales of services	294,539	456,425	334,745	1,339,060	1,463,809	-	2,574,452	2,811,020	1,762,830	-	-	11,036,880
Other revenue from own sources	377,105	1,067,825	189,702	-	-	152,232	4,140	11,373	-	-	-	1,802,377
Return on investments	76,896	150,355	105,455	2,604	-	17,735	148,708	73,858	263,876	231,373	-	1,070,860
Grants and government transfers	-	294,173	1,175,025	-	-	-	28,093	1,277,668	-	-	-	2,774,959
Collections from developers and others	-	-	-	-	-	-	-	-	-	-	4,230,918	4,230,918
Actuarial adjustments to debt	8,556	35,484	16,889	-	-	-	241,274	26,196	-	-	-	328,399
Net gain on sale of tangible capital assets	-	-	2,561,425	-	-	-	-	-	-	-	-	2,561,425
	<u>4,632,657</u>	<u>9,582,182</u>	<u>9,698,211</u>	<u>1,472,884</u>	<u>1,463,809</u>	<u>1,063,800</u>	<u>10,491,595</u>	<u>6,159,265</u>	<u>4,477,751</u>	<u>1,710,672</u>	<u>7,642,114</u>	<u>58,394,940</u>
<b>Expenses</b>												
Salaries, wages and benefits	4,235,876	3,033,513	2,804,261	500,421	408,285	843,129	4,696,068	1,280,647	732,861	-	-	18,535,061
Contract services	851,776	5,139,116	1,171,931	579,216	674,540	382,913	2,419,627	676,585	1,159,978	-	-	13,055,682
Materials and supplies	(190,712)	727,484	614,022	343,460	91,907	69,549	1,703,635	1,380,061	750,158	-	-	5,489,564
Amortization	221,991	504,251	5,351,727	89,831	10,424	-	1,162,760	1,041,085	1,070,690	-	-	9,452,759
Interest	57,750	45,160	146,919	-	-	-	844,900	136,142	26,292	-	-	1,257,163
<b>Expenditures before losses, write downs and transfers</b>												
	5,176,681	9,449,524	10,088,860	1,512,928	1,185,156	1,295,591	10,826,990	4,514,520	3,739,979	-	-	47,790,229
Loss on sale, write downs and transfer of TCA	-	-	65,262	-	-	-	-	4,232	11,498	-	-	80,992
	<u>5,176,681</u>	<u>9,449,524</u>	<u>10,154,122</u>	<u>1,512,928</u>	<u>1,185,156</u>	<u>1,295,591</u>	<u>10,826,990</u>	<u>4,518,752</u>	<u>3,751,477</u>	<u>-</u>	<u>-</u>	<u>47,871,221</u>
<b>Excess of revenues over expenses</b>	<u>\$ (544,024)</u>	<u>\$ 132,658</u>	<u>\$ (455,911)</u>	<u>\$ (40,044)</u>	<u>\$ 278,653</u>	<u>\$ (231,791)</u>	<u>\$ (335,395)</u>	<u>\$ 1,640,513</u>	<u>\$ 726,274</u>	<u>\$ 1,710,672</u>	<u>\$ 7,642,114</u>	<u>\$ 10,523,719</u>

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
Financial Statements

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(Audited)

**DECEMBER 31, 2019**



DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
FOR THE YEAR ENDED DECEMBER 31, 2019

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DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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.

Grant Thornton 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.



Mark Frame  
General Manager, Financial and Protective Services  
May 6, 2020

## Independent auditor's report

To the Duncan – North Cowichan Joint Utilities Board

### Opinion

We have audited the financial statements of the Duncan - North Cowichan Joint Utilities Board (“the Partnership”), which comprise the statement of financial position as at December 31, 2019, the statement of operations for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Duncan - North Cowichan Joint Utilities Board as at December 31, 2019, and the 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 report. We are independent of the Partnership 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 these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Partnership'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 these 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 Partnership'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 Partnership'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 Partnership 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.

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

*Grant Thornton LLP*

Duncan, Canada  
May 6, 2020

Chartered Professional Accountants

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**STATEMENT OF FINANCIAL POSITION**  
AS AT DECEMBER 31, 2019 , WITH COMPARATIVE FIGURES FOR 2018

	<u>2019 Actual</u>	<u>2018 Actual</u>
<b>Financial Assets</b>		
Investments (Notes 3 and 5)	<u>\$ 4,343,491</u>	<u>\$ 4,145,875</u>
<b>Financial Liabilities</b>		
Unearned revenue	<u>2,567,422</u>	<u>2,522,390</u>
<b>Net Financial Assets</b>	<u>1,776,069</u>	<u>1,623,485</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule I)	<u>3,118,061</u>	<u>3,013,719</u>
<b>Accumulated Surplus</b>	<u><u>\$ 4,894,130</u></u>	<u><u>\$ 4,637,204</u></u>

Approved by:

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M. Frame  
General Manager, Financial and Protective Services

See accompanying notes to the financial statements.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**STATEMENT OF OPERATIONS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019, WITH COMPARATIVE FIGURES FOR 2018

	2019 Budget	2019 Actual	2018 Actual
<b>Revenues</b>			
<b>Contributions from:</b>			
The Corporation of the District of North Cowichan	\$ 839,971	\$ <b>757,977</b>	\$ 733,815
The Corporation of the City of Duncan	501,752	<b>447,810</b>	434,964
Cowichan Valley Regional District	210,237	<b>221,087</b>	213,606
Cowichan Tribes	30,394	<b>30,402</b>	29,791
Return on investments	-	<b>37,385</b>	27,880
Grants and government transfers	667,000	-	175,624
	<u>2,249,354</u>	<u><b>1,494,661</b></u>	<u>1,615,680</u>
<b>Expenses</b>			
Administration	42,950	<b>59,765</b>	57,670
Amortization	-	<b>89,849</b>	89,849
Sewer lagoon operations and maintenance	1,091,204	<b>1,088,121</b>	1,414,928
	<u>1,134,154</u>	<u><b>1,237,735</b></u>	<u>1,562,447</u>
<b>Annual Surplus</b>	\$ 1,115,200	<b>256,926</b>	53,233
<b>Accumulated surplus, beginning of year</b>	<u>4,637,204</u>	<u><b>4,637,204</b></u>	<u>4,583,971</u>
<b>Accumulated surplus, end of year</b>	<u><u>\$ 5,752,404</u></u>	<u><u><b>\$ 4,894,130</b></u></u>	<u><u>\$ 4,637,204</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, 2019

**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.

**c) Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit in qualifying institutions as defined in the community charter.

**d) 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.

**e) 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.

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**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**f) 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
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.

**3. INVESTMENTS**

Investments are carried at cost, which at December 31, 2019, 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 \$396,340 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.



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**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:

	<b>2019</b>	<b>2018</b>
Balances, beginning of year	<b>\$ 1,623,485</b>	\$ 1,480,404
Add: transfers from current operations	<b>152,584</b>	143,081
<b>Balance, end of year</b>	<b><u>\$ 1,776,069</u></b>	<b><u>\$ 1,623,485</u></b>

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

The following provides a summary of operating expenses by object:

	<b>2019</b>	<b>2018</b>
Salaries, wages and benefits	<b>\$ 210,872</b>	\$ 171,670
Contract services	<b>37,420</b>	350,452
Amortization	<b>89,849</b>	89,849
Materials and supplies	<b>520,133</b>	524,679
Land rent	<b>379,461</b>	425,797
<b>Total expense</b>	<b><u>\$ 1,237,735</u></b>	<b><u>\$ 1,562,447</u></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.

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**TANGIBLE CAPITAL ASSETS**  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**SCHEDULE I**

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Balance December 31, 2018	2019 Additions	2019 Disposals	2019 Write-downs	Balance December 31, 2019	Balance December 31, 2018	2019 Additions	2019 Disposals	Balance December 31, 2019	2018	2019
Buildings	\$ 192,388	\$ -	\$ -	\$ -	\$ 192,388	\$ 5,211	\$ 4,810	\$ -	\$ 10,021	\$ 187,177	\$ 182,367
Engineering Structures	2,485,490	-	-	-	2,485,490	327,256	49,710	-	376,966	2,158,234	2,108,524
Machinery & Equipment	706,581	-	-	-	706,581	38,273	35,329	-	73,602	668,308	632,979
Work In Progress	-	194,191	-	-	194,191	-	-	-	-	-	194,191
	<u>\$ 3,384,459</u>	<u>\$ 194,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,578,650</u>	<u>\$ 370,740</u>	<u>\$ 89,849</u>	<u>\$ -</u>	<u>\$ 460,589</u>	<u>\$ 3,013,719</u>	<u>\$ 3,118,061</u>