

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
Consolidated Financial Statements

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(Audited)

**DECEMBER 31, 2022**

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2022

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THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2022

## **Statement of Responsibility**

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

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

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

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



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Talitha Soldera  
Chief Financial Officer  
May 3, 2023



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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants

Victoria, Canada  
May 4, 2023

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT DECEMBER 31, 2022, WITH COMPARATIVE INFORMATION FOR 2021

	2022 Actual	2021 Actual
<b>Financial Assets</b>		
Cash (Note 4)	\$ 4,919,023	\$ 13,432,104
Temporary Investments (Note 4)	91,165,028	82,067,554
Accounts receivable (Note 5)	4,890,748	4,336,943
	<b>100,974,799</b>	<b>99,836,601</b>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	9,946,373	7,898,807
Employee future benefits and compensation payable (Note 7)	3,756,612	3,897,036
Unearned revenue (Note 8)	9,724,467	8,652,907
Restricted reserves (Note 12)	18,183,512	14,979,078
Debt (Note 14)	36,840,235	16,572,074
Temporary financing (Note 15)	-	11,100,000
	<b>78,451,199</b>	<b>63,099,902</b>
<b>Net Financial Assets</b>	<b>22,523,600</b>	<b>36,736,699</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 10)	314,093,229	293,335,991
Inventory of supplies	606,004	544,905
Prepaid items	540,982	312,745
Property acquired for taxes	2,341,177	2,416,867
	<b>317,581,392</b>	<b>296,610,508</b>
<b>Accumulated Surplus (Note 17)</b>	<b>\$ 340,104,992</b>	<b>\$ 333,347,207</b>

Commitments and Contingent Liabilities (Notes 16 and 19)

Approved by:



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T. Soldera  
Chief Financial Officer

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, 2022, WITH COMPARATIVE INFORMATION FOR 2021

	2022 Budget (Note 18)	2022 Actual	2021 Actual
<b>Revenues</b>			
Taxation (Schedule I)	\$ 40,554,306	\$ 40,420,459	\$ 38,519,675
Sales of services	10,190,474	11,301,521	10,728,853
Other revenue from own sources	2,146,610	2,394,225	2,230,498
Return on investments	645,920	3,152,733	192,667
Grants and government transfers (Schedule II)	10,447,590	3,445,852	4,546,075
Collections from developers and others	3,522,445	3,574,846	1,889,214
Actuarial adjustments to debt	-	537,057	480,087
	<u>67,507,345</u>	<u>64,826,693</u>	<u>58,587,069</u>
<b>Expenses</b>			
General government services	7,281,552	6,860,885	6,573,706
Protective services	12,514,284	12,411,129	10,902,877
Engineering and public works	11,352,069	12,660,741	12,090,247
Environmental health services	2,705,993	2,509,014	2,116,811
Forestry	804,711	568,976	640,730
Community development	1,492,586	1,424,693	1,393,651
Recreation and cultural services	12,633,217	12,753,804	12,103,772
Water	5,209,377	5,054,610	5,092,167
Sewer	4,972,841	3,825,056	3,739,484
	<u>58,966,630</u>	<u>58,068,908</u>	<u>54,653,445</u>
<b>Annual Surplus</b>	<u>\$ 8,540,715</u>	<u>6,757,785</u>	<u>3,933,624</u>
<b>Accumulated surplus, beginning of year (Note 17)</b>		<u>333,347,207</u>	<u>329,413,583</u>
<b>Accumulated surplus, end of year (Note 17)</b>		<u>\$ 340,104,992</u>	<u>\$ 333,347,207</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, 2022, WITH COMPARATIVE INFORMATION FOR 2021

	2022 Budget (Note 18)	2022 Actual	2021 Actual
<b>Annual Surplus</b>	\$ 8,540,715	\$ <b>6,757,785</b>	\$ 3,933,624
Acquisition of tangible capital assets	-	<b>(27,885,728)</b>	(17,058,247)
Contributed tangible capital assets	-	<b>(3,481,509)</b>	(1,767,497)
Amortization of tangible capital assets	9,699,410	<b>10,428,914</b>	10,101,494
Net (gain) loss on sale of tangible capital assets	-	<b>12,426</b>	97,740
Proceeds on sale of tangible capital assets	-	-	10,285
Write-downs of tangible capital assets	-	<b>168,659</b>	22,701
	<u>9,699,410</u>	<u><b>(20,757,238)</b></u>	<u>(8,593,524)</u>
Increase in prepaids	-	<b>(228,237)</b>	(109,329)
Increase in inventories	-	<b>(61,099)</b>	(19,153)
Decrease (increase) in property acquired for taxes	-	<b>75,690</b>	(75,690)
	<u>-</u>	<u><b>(213,646)</b></u>	<u>(204,172)</u>
<b>Change in net financial assets</b>	18,240,125	<b>(14,213,099)</b>	(4,864,072)
<b>Net financial assets at beginning of year</b>	<u>-</u>	<u><b>36,736,699</b></u>	<u>41,600,771</u>
<b>Net financial assets at end of year</b>	<u>\$ 18,240,125</u>	<u><b>\$ 22,523,600</b></u>	<u>\$ 36,736,699</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, 2022, WITH COMPARITIVE INFORMATION FOR 2021

	<u>2022 Actual</u>	<u>2021 Actual</u>
<b>Operating transactions</b>		
Annual surplus	\$ 6,757,785	\$ 3,933,624
<b>Non-cash items included in surplus:</b>		
Amortization	10,428,914	10,101,494
Actuarial adjustment to debt	(537,057)	(480,087)
Write-downs of tangible capital assets	168,659	22,701
Net loss on sale of tangible capital assets	12,426	97,740
Contributed tangible capital assets	<u>(3,481,509)</u>	<u>(1,767,497)</u>
	13,349,218	11,907,975
<b>Changes in non-cash assets and liabilities:</b>		
Accounts receivable	(553,805)	1,472,158
Inventory of supplies	(61,099)	(19,153)
Prepaid items	(228,237)	(109,329)
Property acquired for taxes	75,690	(75,690)
Accounts payable	2,047,566	(1,167,522)
Employee future benefits and compensation payable	(140,424)	177,055
Unearned revenue	1,071,560	1,422,858
Restricted reserves	<u>3,204,434</u>	<u>1,379,310</u>
Cash provided by operating transactions	<u>18,764,903</u>	<u>14,987,662</u>
<b>Capital transactions</b>		
Proceeds on sale of tangible capital assets	-	10,285
Cash applied to acquire tangible capital assets	<u>(27,885,728)</u>	<u>(17,058,247)</u>
Cash applied to capital transactions	<u>(27,885,728)</u>	<u>(17,047,962)</u>
<b>Investing transactions</b>		
Temporary investments	<u>(9,097,474)</u>	2,652,521
Cash applied to investing transactions	<u>(9,097,474)</u>	2,652,521
<b>Financing transactions</b>		
Proceeds from debenture debt	22,000,000	516,700
Proceeds from temporary debt	-	11,100,000
Repayment of temporary debt	(11,100,000)	-
Repayment of debenture debt	<u>(1,194,782)</u>	<u>(1,028,523)</u>
Cash provided by financing transactions	<u>9,705,218</u>	<u>10,588,177</u>
<b>Change in cash</b>	<u>(8,513,081)</u>	11,180,398
<b>Cash, beginning of year</b>	<u>13,432,104</u>	<u>2,251,706</u>
<b>Cash, end of year</b>	<u>\$ 4,919,023</u>	<u>\$ 13,432,104</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, 2022

**1. GENERAL**

The Corporation of the District of North Cowichan (North Cowichan) 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 North Cowichan's policy to follow Canadian public sector accounting standards and to apply such principles consistently. The following is a summary of the North Cowichan'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

North Cowichan 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 North Cowichan's proportionate share of assets, liabilities and net revenues over expenditures of the administrative body at approximately the following percentage:

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

**b) BASIS OF ACCOUNTING**

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

**c) CASH AND CASH EQUIVALENTS**

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

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2022

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**d) INVESTMENTS**

Investments are recorded at cost which at December 31, 2022, would approximate market value. Investments consist of cash on deposit in the Municipal Finance Authority ("MFA") investment funds that are highly liquid, readily convertible to cash, and are subject to an insignificant risk of change in value.

**e) 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 North Cowichan.
- iii) Grant revenues are recognized when the funding becomes receivable.
- iv) Revenue unearned in the current period is recorded as unearned revenue.
- v) Government transfers are recognized in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability. Transfers received for which expenses are not yet incurred or stipulations not met are included in deferred revenue.

**f) 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.

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

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

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

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2022

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**h) 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.

**i) TANGIBLE CAPITAL ASSETS**

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

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

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

Certain assets, which have historical or cultural value including works of art, historical documents, as well as historical and cultural artifacts, are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Crown lands that have not been purchased by North Cowichan, 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 North Cowichan acquires ownership and are recorded as revenue.

Land and infrastructure assets contributed to North Cowichan in 2022 totaled \$3,481,509 (2021 - \$1,767,497) and were capitalized at their fair value at the time of receipt.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2022

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**i) TANGIBLE CAPITAL ASSETS CONTINUED**

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

**j) MATERIALS AND SUPPLIES**

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

**k) LIABILITY FOR CONTAMINATED SITES**

North Cowichan 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, North Cowichan 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 North Cowichan has an external obligation to remediate a site or has commenced remediation on its own accord.

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

**l) 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.

**m) LOAN GUARANTEE**

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

**n) 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 17.

i) The reserve for property acquired for taxes is an amount set aside to offset the carrying value of property acquired for taxes.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**n) APPROPRIATED SURPLUS - GENERAL REVENUE FUND CONTINUED**

- 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.

**o) USE OF ESTIMATES**

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

**3. FINANCIAL INSTRUMENTS**

North Cowichan's financial instruments consist of cash, temporary investments, accounts receivable, accounts payable and accrued liabilities, restricted reserves, temporary financing and 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 North Cowichan 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.

	2022	2021
Cash	<b>\$ 4,919,023</b>	\$ 13,432,104
Temporary Investments	<b>91,165,028</b>	82,067,554
	<b><u>\$ 96,084,051</u></b>	<b><u>\$ 95,499,658</u></b>

Temporary Investments consist of short-term investments in the Municipal Finance Authority of BC, Govt. Focused Ultra-short bond fund and CIBC high interest savings and the market value is equal to the carrying value. Temporary Investments have yields ranging from nil% to 4.69%.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**4. CASH AND INVESTMENTS CONTINUED**

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>2022</u>	<u>2021</u>
Restricted investments	<b>\$ 37,660,883</b>	\$ 36,910,496

**5. ACCOUNTS RECEIVABLE**

	<u>2022</u>	<u>2021</u>
Property taxes	<b>\$ 2,377,304</b>	\$ 1,896,035
Water rates	<b>390,389</b>	342,353
Federal government	<b>521,524</b>	663,757
Provincial government	<b>516,905</b>	538,108
Local government	<b>942,418</b>	682,952
General	<b>142,208</b>	213,738
	<b><u>\$ 4,890,748</u></b>	<u>\$ 4,336,943</u>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2022</u>	<u>2021</u>
General	<b>\$ 8,946,342</b>	\$ 7,138,769
Wages and salaries	<b>626,837</b>	626,553
Accrued interest	<b>373,194</b>	133,485
	<b><u>\$ 9,946,373</u></b>	<u>\$ 7,898,807</u>

**7. EMPLOYEE FUTURE BENEFITS AND COMPENSATION**

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

Sick leave cash-out and severance benefits accrue to North Cowichan'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 CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
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 FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

	<u>2022</u>	<u>2021</u>
Lieu time payable	\$ 1,096,312	\$ 1,099,536
Sick leave cash-out and severance benefits	<u>2,660,300</u>	<u>2,797,500</u>
	<u>\$ 3,756,612</u>	<u>\$ 3,897,036</u>

Under the terms of the union contract, sick leave not taken in a year is carried forward to a maximum accumulation of 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.

North Cowichan 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, 2022.

	<u>2022</u>	<u>2021</u>
Accrued benefit obligation	\$ 2,822,600	\$ 3,300,000
Unamortized actuarial loss	<u>(162,300)</u>	<u>(502,500)</u>
Accrued benefit liability	<u>2,660,300</u>	<u>2,797,500</u>
<b>Benefit expense:</b>		
Current service cost	432,100	322,200
Interest cost	79,300	47,200
Amortization of net actuarial (gain)/loss	<u>40,400</u>	<u>4,300</u>
	<u>\$ 551,800</u>	<u>\$ 373,700</u>

Significant actuarial assumptions as at December 31st include:

	<u>2022</u>	<u>2021</u>
Valuation interest rate	4.50%	2.50%
Rate of compensation increase	3.00%	3.00%
Expected coverage remaining service life (in years)	10	10

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
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**8. UNEARNED REVENUE**

	2021	Contributions and interest	Revenue earned or refunded	2022
Prepaid taxes and licenses	\$ 2,913,459	\$ 6,619,393	\$ 6,335,777	\$ <b>3,197,075</b>
Service fees and deposits	3,776,877	2,102,781	1,420,320	<b>4,459,338</b>
Aquatic Centre unearned revenue	84,557	272,243	188,888	<b>167,912</b>
General unearned revenues	1,575,014	785,053	459,925	<b>1,900,142</b>
Water unearned revenue	303,000	49,390	352,390	-
	<u>\$ 8,652,907</u>	<u>\$ 9,828,860</u>	<u>\$ 8,757,300</u>	<u>\$ <b>9,724,467</b></u>

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

North Cowichan 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. North Cowichan also executes demand notes in connection with each debenture.

The deposits are included in North Cowichan's financial statements as MFA cash deposits. If the debt is repaid without default, the deposits are refunded to North Cowichan. The notes, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default and are not recorded in the financial statements. Upon the maturity of a debt issue, the demand notes are released and deposits refunded to North Cowichan. As at December 31, 2022, there were contingent demand notes of \$1,456,895 (2021 - \$838,024) which are not included in the financial statements of North Cowichan.

**10. TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

<b>Tangible Capital Assets</b>	December 31, 2021	Additions	Disposals and Writedowns	December 31, 2022
<b>Cost</b>				
Land	\$ 53,775,834	\$ 2,308,390	\$ -	\$ <b>56,084,224</b>
Land improvements	15,502,269	602,459	-	<b>16,104,728</b>
Buildings - Cost	52,343,012	550,027	-	<b>52,893,039</b>
Eng. Struct. - Cost	309,495,737	3,417,634	69,661	<b>312,843,710</b>
Machinery - Cost	47,535,405	2,870,162	42,803	<b>50,362,764</b>
WIP - Cost	14,185,744	22,733,782	1,283,877	<b>35,635,649</b>
<b>Total cost</b>	<u>492,838,001</u>	<u>32,482,454</u>	<u>1,396,341</u>	<u><b>523,924,114</b></u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
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 FOR THE YEAR ENDED DECEMBER 31, 2022

**10. TANGIBLE CAPITAL ASSETS CONTINUED**

	December 31, 2021	Additions	Disposals and Writedown	December 31, 2022
<b>Accumulated amortization</b>				
Land Imp. - Accum Amort	7,678,466	689,222	-	<b>8,367,688</b>
Buildings - Accum Amort	22,792,266	1,361,822	-	<b>24,154,088</b>
Eng. Struct. - Accum Amort	141,737,216	6,268,543	57,235	<b>147,948,524</b>
Machinery - Accum Amort	27,294,062	2,109,326	42,803	<b>29,360,585</b>
<b>Total accumulated amortization</b>	<b>199,502,010</b>	<b>10,428,913</b>	<b>100,038</b>	<b>209,830,885</b>
<b>Net book value</b>				
Land	53,775,834			<b>56,084,224</b>
Land improvements	7,823,803			<b>7,737,040</b>
Buildings	29,550,746			<b>28,738,951</b>
Engineered structures	167,758,521			<b>164,895,186</b>
Machinery	20,241,343			<b>21,002,179</b>
Work in progress	14,185,744			<b>35,635,649</b>
<b>Total net book value</b>	<b>\$ 293,335,991</b>			<b>\$ 314,093,229</b>

**11. 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 North Cowichan's Consolidated Financial Statements. A summary of trust fund activities by North Cowichan is as follows:

	2022	2021
<b>Assets</b>		
Cash and short term investments	<b>\$ 457,567</b>	\$ 439,979
<b>Equity</b>		
Opening balances	<b>439,979</b>	423,707
Contributions	<b>17,588</b>	16,272
	<b>\$ 457,567</b>	\$ 439,979

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**12. 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>Development Cost Charges</u>	<u>2022</u>	<u>2021</u>
Opening	\$ 14,979,078	\$ 13,599,768
Contributions	3,215,807	1,380,664
Investment income	(11,373)	(1,354)
	<u>\$ 18,183,512</u>	<u>\$ 14,979,078</u>

**13. CANADA COMMUNITY-BUILDING FUND**

Canada Community-Building funding (CCBF) is provided by the Government of Canada. The use of the funding is established by a funding agreement between North Cowichan and the Union of British Columbia Municipalities. CCBF may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

<u>Canada Community-Building Agreement Funds</u>	<u>2022</u>	<u>2021</u>
Opening balance of unspent funds	\$ 2,977,771	\$ 1,675,173
Add: Amount received during the year	1,363,979	2,668,820
Add: Return on investment	(5,260)	(2,243)
Less: Amount spent	(1,494,173)	(1,363,979)
	<u>\$ 2,842,317</u>	<u>\$ 2,977,771</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
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**14. DEBENTURE DEBT**

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

	M.F.A. Issue Number	Interest Rate	Maturity Date	Originally Approved	<b>2022 Net Unmatured</b>	2021 Net Unmatured
<b>General Capital Fund</b>						
Maple Bay Fire Hall	95	1.80%	Apr 12, 2025	\$ 1,600,000	\$ 320,193	\$ 420,767
Maple Bay Fire Hall	103	2.65%	Apr 23, 2028	500,000	192,863	220,821
Cowichan Aquatic Ctr	104	2.90%	Nov 20, 2028	15,000,000	5,785,884	6,624,625
Cowichan Aquatic Ctr	106	2.25%	Oct 12, 2029	2,265,500	1,000,539	1,122,345
Duncan Curling Club	N/A	4.00%	Jan 15, 2032	551,500	304,338	331,556
Tier 2 Flood Protection	121	3.39%	Oct 4, 2032	745,475	444,910	480,542
Tier 2 Flood Protection	124	3.15%	Apr 8, 2033	1,000,000	644,611	690,570
Municipal Hall Expansion	126	3.85%	Sep 26, 2033	1,500,000	966,917	1,035,855
Stoney Hill Road	131	2.20%	Apr 8, 2040	2,000,000	1,600,542	1,663,662
Tier 4 Flood Protection	137	2.60%	Apr 19, 2036	1,700,000	1,306,245	1,377,642
Tier 4 Flood Protection	141	2.80%	Apr 7, 2037	200,000	160,483	168,861
RCMP Building	158	4.09%	Sep 23, 2042	22,000,000	22,000,000	-
Fire Equipment loan	N/A	4.51%	Dec 31, 2024	516,700	351,508	516,700
				<u>49,579,175</u>	<u>35,079,033</u>	<u>14,653,946</u>
<b>Water Capital Fund</b>						
Crofton	106	2.25%	Oct 13, 2029	530,000	234,070	262,566
Chemainus	110	4.50%	Apr 08, 2030	1,750,000	863,252	955,396
Chemainus	137	2.60%	Apr 19, 2036	864,000	663,880	700,166
				<u>3,144,000</u>	<u>1,761,202</u>	<u>1,918,128</u>
				<u>\$ 52,723,175</u>	<u>\$ 36,840,235</u>	<u>\$ 16,572,074</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**14. DEBENTURE DEBT CONTINUED**

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

	General	Water	Total
Principal repayments:			
2023	\$ 1,856,742	\$ 112,683	\$ 1,969,425
2024	1,887,836	112,683	2,000,519
2025	1,698,313	112,683	1,810,996
2026	1,634,365	112,683	1,747,048
2027	1,635,666	112,683	1,748,349
Thereafter	14,404,400	503,566	14,907,966
	<u>23,117,322</u>	<u>1,066,981</u>	<u>24,184,303</u>
Actuarial adjustments (estimated):			
2023	546,352	49,878	596,230
2024	629,204	55,715	684,919
2025	715,175	61,763	776,938
2026	756,384	68,029	824,413
2027	845,558	74,521	920,079
Thereafter	8,469,041	384,312	8,853,353
	<u>11,961,714</u>	<u>694,218</u>	<u>12,655,932</u>
	<u>\$ 35,079,036</u>	<u>\$ 1,761,199</u>	<u>\$ 36,840,235</u>

Interest paid during the year was \$1,225,773 (2021 - \$819,130).

**15. TEMPORARY FINANCING**

North Cowichan issues temporary debt instruments through MFA, pursuant to security issuing bylaws under the authority of the Community Charter. Temporary financing is due on demand and will be repaid in full when MFA debenture debt is issued.

	M.F.A. Issue Number	Interest Rate	Maturity Date	Originally Approved	2022 Net Unmatured	2021 Net Unmatured
General Capital Fund	580-1	0.97%	0	\$ 48,000,000	\$ -	\$ 11,100,000
				<u>\$ 48,000,000</u>	<u>\$ -</u>	<u>\$ 11,100,000</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**16. 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 North Cowichan 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 North Cowichan.
- c) North Cowichan 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) North Cowichan and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2021 the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated 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, 2021 indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

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

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

North Cowichan paid \$1,368,225 (2021 - \$1,378,066) for employer contributions while employees contributed \$1,262,723 (2021 - \$1,221,440) to the Plan in fiscal 2022.

- e) At the end of the year North Cowichan was involved in a number of legal actions the outcomes of which are indeterminate at this time. North Cowichan 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, 2022

**17. ACCUMULATED SURPLUS**

	2022	2021
<b>Operating Funds</b>		
Unappropriated:		
General	\$ 6,083,492	\$ 4,470,243
Water Systems	7,000,858	5,698,822
Sewer Systems	19,748,386	18,383,187
	<b>32,832,736</b>	28,552,252
Appropriated:		
Reserves for property acquired for taxes	2,341,177	2,341,177
Reserves for future expenditures	4,958,864	11,984,684
Reserve for uncollected taxes	1,295,091	1,295,091
Reserve for Joint Utilities Board	1,193,211	1,105,246
	<b>9,788,343</b>	16,726,198
	<b>42,621,079</b>	45,278,450
<b>Capital Funds</b>		
General Capital	222,359,451	210,553,143
Water Capital	32,302,018	32,160,965
Sewer Capital	20,728,072	21,234,302
Joint Utilities Board Capital	2,617,001	2,188,930
	<b>278,006,542</b>	266,137,340



THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**17. ACCUMULATED SURPLUS CONTINUED**

	<u>2022</u>	<u>2021</u>
<b>Reserve Funds</b>		
Land Sales	4,136,630	4,210,978
Machinery and Equipment	3,969,641	5,220,108
Local Area Service	1,347,999	1,257,457
Forest	957,750	1,250,600
Park Development	219,031	225,689
Parkland Purchase	749,763	734,755
Chemainus Parking	178,215	178,531
Agriculture	329,833	330,417
Self-Insurance	225,764	226,163
Climate Action and Energy Plan	693,855	603,355
Maple Bay Sewer	93,521	93,686
Cowichan Aquatic Centre	203,310	711,618
Evans Park	174,513	174,822
Fuller Lake Arena	73,880	74,011
Harbours Crofton	88,468	75,721
Harbours Chemainus	423,787	416,523
Mural Protection	42,703	31,990
Canada Community-Building Fund (Note 13)	2,842,317	2,977,771
Quamichan Lake	556,836	418,744
IT Asset Management	418,465	301,998
COVID-19 Safe Restart Grant	-	951,635
Infrastructure Replacement	1,079,411	830,878
Gravel Pits	557,660	558,647
Affordable Housing	114,019	75,320
	<u>19,477,371</u>	<u>21,931,417</u>
<b>Accumulated Surplus</b>	<u>\$ 340,104,992</u>	<u>\$ 333,347,207</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**18. BUDGET DATA**

The budget data presented in these financial statements is based upon the 2022-2026 Financial Plan Bylaw adopted by council February 16, 2022. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	<b>2022</b>
Financial Plan Bylaw surplus for the year	\$ -
Add back:	
Principal debt repayment	1,265,352
Capital expenditures	79,209,161
Less:	
Amortization	(9,699,410)
Proceeds from borrowing	(43,193,380)
Budgeted transfers to reserve funds	(6,571,017)
Budgeted transfers from accumulated surplus	(12,469,991)
Adjusted Annual Surplus	<u>\$ 8,540,715</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**19. JOINT UTILITIES BOARD**

Financial results for the Joint Utilities Board are consolidated into North Cowichan's financial statements proportionately based on the units owned by each partner. In 2022, North Cowichan's proportion for consolidation purposes was 53.69% (2021 – 53.69%). Condensed financial information for the Joint Utilities Boards is as follows:

	<u>2022</u>	<u>2021</u>
Net Financial Assets	\$ 2,222,681	\$ 2,058,836
Non-Financial Assets	<u>4,874,475</u>	<u>4,077,130</u>
Accumulated Surplus	<u>7,097,156</u>	<u>6,135,966</u>
Revenues	\$ 2,255,245	\$ 2,296,773
Expenses	<u>1,294,055</u>	<u>1,332,158</u>
Annual Surplus	<u>961,190</u>	<u>964,615</u>
<b>North Cowichan Proportionate Share:</b>		
Net Financial Assets	\$ 1,193,211	\$ 1,105,246
Non-Financial Assets	<u>2,617,001</u>	<u>2,188,930</u>
<b>Accumulated Surplus</b>	<u>3,810,212</u>	<u>3,294,176</u>
Revenues	\$ 1,210,793	\$ 1,233,088
Expenses	<u>694,750</u>	<u>715,207</u>
<b>Annual Surplus</b>	<u>\$ 516,043</u>	<u>\$ 517,881</u>

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

The Joint Utilities Board leases the sewage lagoon lands under an operating lease which expires July 31, 2060. North Cowichan's proportionate share of the lease payments for 2023 is \$222,277 and has an annual increase of 2.2%. the proportionate share of the the total lease payments over the remaining term are estimated at \$12.8 million.

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 2022 North Cowichan recorded a write up of assets in the amount of \$0 (2021 - \$0).

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2022

**20. SEGMENT REPORTING**

North Cowichan'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 I, 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 North Cowichan's infrastructure, including drainage and transportation systems.

**ENVIRONMENTAL HEALTH SERVICES**

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

**FORESTRY SERVICES**

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

**COMMUNITY DEVELOPMENT**

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

**RECREATION AND CULTURE SERVICES**

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

**WATER**

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

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2022

**20. SEGMENT REPORTING CONTINUED**

**SEWER**

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

**RESERVE FUNDS**

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

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

**21. SUBSEQUENT EVENT**

Subsequent to year end, the Province publicly announced the Growing Communities Fund that will provide local governments in the province with one-time funding to address the needs of growing communities. North Cowichan has received \$7,686,000 under this program which will be spent in accordance with the guidelines provided by the province.

**22. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**TAXATION**  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**SCHEDULE I**

	2022 Budget	<b>2022</b>	2021
<b>Municipal Purposes:</b>			
General taxation	\$ 34,166,715	\$ <b>34,012,777</b>	\$ 32,133,370
Business Improvement Area	116,000	<b>133,906</b>	113,559
Local Area Service	95,350	<b>95,348</b>	95,348
Utilities	795,664	<b>795,663</b>	981,451
Grants-in-lieu of taxes	219,630	<b>223,640</b>	218,002
Water systems	2,351,689	<b>2,353,784</b>	2,256,161
Sewer systems	2,809,258	<b>2,805,341</b>	2,721,784
Total Municipal Taxes	<u>40,554,306</u>	<u><b>40,420,459</b></u>	<u>38,519,675</u>
<b>Collections for Other Governments:</b>			
School	14,000,000	<b>14,973,302</b>	13,910,383
Cowichan Valley Regional Hospital District	4,200,000	<b>4,220,903</b>	4,103,334
Cowichan Valley Regional District	9,910,400	<b>10,129,087</b>	9,621,701
BC Assessment	410,000	<b>461,238</b>	410,462
Municipal Finance Authority	1,700	<b>2,241</b>	1,703
Total Collections for Other Governments	<u>28,522,100</u>	<u><b>29,786,771</b></u>	<u>28,047,583</u>
	<u>69,076,406</u>	<u><b>70,207,230</b></u>	<u>66,567,258</u>
Deduct: requisitions remitted to other taxing authorities	<u>(28,522,100)</u>	<u><b>(29,786,771)</b></u>	<u>(28,047,583)</u>
Total Taxes Levied	<u><u>\$ 40,554,306</u></u>	<u><u><b>\$ 40,420,459</b></u></u>	<u><u>\$ 38,519,675</u></u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**GRANTS AND GOVERNMENT TRANSFERS**  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**SCHEDULE II**

	2022 Budget	<b>2022</b>	2021
<b>Operating Grants</b>			
Traffic fines revenue	\$ 295,000	\$ <b>256,489</b>	\$ 299,702
Other grants	1,521,996	<b>1,391,311</b>	1,380,144
	<u>1,816,996</u>	<u><b>1,647,800</b></u>	<u>1,679,846</u>
<b>Capital Grants</b>			
Canada Community-Building Fund	2,113,000	<b>1,363,979</b>	2,718,321
<i>Infrastructure Grants (Prov/Fed)</i>			
Sewer	4,667,440	-	-
Other	1,850,154	<b>422,673</b>	122,908
	<u>6,517,594</u>	<u><b>422,673</b></u>	<u>122,908</u>
<i>Provincial and Other Grants</i>			
ICBC grants	-	<b>11,400</b>	25,000
	<u>-</u>	<u><b>11,400</b></u>	<u>25,000</u>
	<u>\$ 10,447,590</u>	<u><b>\$ 3,445,852</b></u>	<u>\$ 4,546,075</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**OPERATIONS BY SEGMENT**  
FOR THE YEAR ENDED DECEMBER 31, 2022

**SCHEDULE III**

For the Year Ended December 31, 2022	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	\$ 6,726,313	\$ 9,951,608	\$ 5,823,938	\$ 617,788	\$ -	\$ 1,458,407	\$ 8,352,751	\$ 2,353,784	\$ 2,805,341	\$ 2,078,772	\$ 251,757	\$ 40,420,459
Sales of services	221,400	618,409	667,734	1,899,268	150,060	-	2,217,116	3,364,475	2,163,059	-	-	11,301,521
Other revenue from own sources	557,415	1,579,117	123,079	-	-	88,932	32,854	12,828	-	-	-	2,394,225
Return on investments	2,649,339	219,151	128,253	13,605	-	32,117	183,942	(9,481)	(32,522)	(31,671)	-	3,152,733
Grants and government transfers	256,489	9,985	-	314,197	97,061	-	970,068	-	-	-	1,798,052	3,445,852
Collections from developers and others	-	-	-	-	-	-	-	-	-	93,337	3,481,509	3,574,846
Actuarial adjustments to debt	18,566	46,544	46,963	-	-	-	380,741	44,243	-	-	-	537,057
	<u>10,429,522</u>	<u>12,424,814</u>	<u>6,789,967</u>	<u>2,844,858</u>	<u>247,121</u>	<u>1,579,456</u>	<u>12,137,472</u>	<u>5,765,849</u>	<u>4,935,878</u>	<u>2,140,438</u>	<u>5,531,318</u>	<u>64,826,693</u>
<b>Expenses</b>												
Salaries, wages and benefits	5,029,770	4,395,151	3,950,916	1,025,806	229,959	1,203,762	5,108,571	1,483,194	907,743	-	-	23,334,872
Contract services	1,517,072	6,021,191	1,707,642	1,006,250	234,234	155,476	2,756,444	725,808	913,492	-	-	15,037,609
Materials and supplies	(76,529)	908,560	1,009,854	401,988	93,569	65,455	3,016,873	1,524,290	916,597	-	-	7,860,657
Amortization	332,822	638,792	5,664,589	74,970	11,214	-	1,373,224	1,261,343	1,071,959	-	-	10,428,913
Interest	57,750	447,435	147,799	-	-	-	498,692	59,975	14,121	-	-	1,225,772
<b>Expenditures before losses, write downs and transfers</b>	6,860,885	12,411,129	12,480,800	2,509,014	568,976	1,424,693	12,753,804	5,054,610	3,823,912	-	-	57,887,823
Loss on sale, write downs and transfer of TCA	-	-	179,941	-	-	-	-	-	1,144	-	-	181,085
	<u>6,860,885</u>	<u>12,411,129</u>	<u>12,660,741</u>	<u>2,509,014</u>	<u>568,976</u>	<u>1,424,693</u>	<u>12,753,804</u>	<u>5,054,610</u>	<u>3,825,056</u>	<u>-</u>	<u>-</u>	<u>58,068,908</u>
<b>Excess of revenues over expenses</b>	<u>\$ 3,568,637</u>	<u>\$ 13,685</u>	<u>\$ (5,870,774)</u>	<u>\$ 335,844</u>	<u>\$ (321,855)</u>	<u>\$ 154,763</u>	<u>\$ (616,332)</u>	<u>\$ 711,239</u>	<u>\$ 1,110,822</u>	<u>\$ 2,140,438</u>	<u>\$ 5,531,318</u>	<u>\$ 6,757,785</u>



THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**OPERATIONS BY SEGMENT**  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**SCHEDULE III**

For the Year Ended December 31, 2021	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	\$ 6,112,372	\$ 9,038,177	\$ 6,050,446	\$ 598,607	\$ -	\$ 1,471,880	\$ 7,736,054	\$ 2,256,161	\$ 2,721,784	\$ 2,309,417	\$ 224,777	\$ 38,519,675
Sales of services	268,991	591,437	1,096,183	1,723,537	120,040	-	1,554,691	3,249,780	2,124,194	-	-	10,728,853
Other revenue from own sources	329,619	1,355,195	218,005	-	-	121,367	191,560	14,752	-	-	-	2,230,498
Return on investments	33,961	50,217	33,617	3,326	-	8,178	42,983	(141)	(511)	21,037	-	192,667
Grants and government transfers	299,702	62,962	-	42,703	-	-	1,274,480	-	-	-	2,866,228	4,546,075
Collections from developers and others	-	-	-	-	-	-	-	-	-	121,716	1,767,498	1,889,214
Actuarial adjustments to debt	15,914	42,539	39,032	-	-	-	343,798	38,804	-	-	-	480,087
	<u>7,060,559</u>	<u>11,140,527</u>	<u>7,437,283</u>	<u>2,368,173</u>	<u>120,040</u>	<u>1,601,425</u>	<u>11,143,566</u>	<u>5,559,356</u>	<u>4,845,467</u>	<u>2,452,170</u>	<u>4,858,503</u>	<u>58,587,069</u>
<b>Expenses</b>												
Salaries, wages and benefits	5,022,688	4,121,522	3,805,804	728,552	308,285	1,058,376	4,506,277	1,498,154	836,892	-	-	21,886,550
Contract services	1,446,045	5,525,915	1,746,484	876,315	228,390	273,859	2,693,279	702,660	916,218	-	-	14,409,165
Materials and supplies	(197,124)	703,011	763,829	436,023	92,841	61,416	3,066,700	1,495,428	894,542	-	-	7,316,666
Amortization	244,347	517,417	5,610,756	75,921	11,214	-	1,337,756	1,238,140	1,065,942	-	-	10,101,493
Interest	57,750	35,012	146,919	-	-	-	499,760	62,417	17,273	-	-	819,131
<b>Expenditures before losses, write downs and transfers</b>	6,573,706	10,902,877	12,073,792	2,116,811	640,730	1,393,651	12,103,772	4,996,799	3,730,867	-	-	54,533,005
Loss on sale, write downs and transfer of TCA	-	-	16,455	-	-	-	-	95,368	8,617	-	-	120,440
	<u>6,573,706</u>	<u>10,902,877</u>	<u>12,090,247</u>	<u>2,116,811</u>	<u>640,730</u>	<u>1,393,651</u>	<u>12,103,772</u>	<u>5,092,167</u>	<u>3,739,484</u>	<u>-</u>	<u>-</u>	<u>54,653,445</u>
<b>Excess of revenues over expenses</b>	<u>\$ 486,853</u>	<u>\$ 237,650</u>	<u>\$ (4,652,964)</u>	<u>\$ 251,362</u>	<u>\$ (520,690)</u>	<u>\$ 207,774</u>	<u>\$ (960,206)</u>	<u>\$ 467,189</u>	<u>\$ 1,105,983</u>	<u>\$ 2,452,170</u>	<u>\$ 4,858,503</u>	<u>\$ 3,933,624</u>

Supplementary Schedules  
(Unaudited)

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**SALES OF SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (UNAUDITED)

**SCHEDULE IV**

	2022 Budget	2022	2021
General government service	\$ 109,680	\$ <b>113,005</b>	\$ 145,057
Protective services	336,310	<b>401,677</b>	387,724
Fire protection	243,320	<b>216,732</b>	203,713
Engineering and public works	226,700	<b>667,734</b>	1,096,183
Residential garbage - municipal	1,708,465	<b>1,741,608</b>	1,555,193
Forestry	99,150	<b>150,060</b>	120,040
Cowichan Aquatic Centre	1,921,761	<b>1,731,828</b>	1,143,162
Fuller Lake Arena	262,670	<b>238,519</b>	167,730
Other recreation	64,600	<b>54,627</b>	33,232
Wharves	208,510	<b>192,142</b>	210,568
Miscellaneous	102,420	<b>108,394</b>	123,933
Cemetery	146,760	<b>157,661</b>	168,344
Water	2,810,280	<b>3,364,475</b>	3,249,780
Sewer	1,949,848	<b>2,163,059</b>	2,124,194
	<u>\$ 10,190,474</u>	<u>\$ <b>11,301,521</b></u>	<u>\$ 10,728,853</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**OTHER REVENUE FROM OWN SOURCES**  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (UNAUDITED)

**SCHEDULE V**

	2022 Budget	<b>2022</b>	2021
Licences and permits	\$ 1,199,020	<b>\$ 1,520,562</b>	\$ 1,442,810
Tax penalties and interest	350,270	<b>505,963</b>	273,538
Fines	4,640	<b>28,067</b>	199,234
Rentals	579,520	<b>326,805</b>	300,164
Water	13,160	<b>12,828</b>	14,752
	<u>\$ 2,146,610</u>	<u><b>\$ 2,394,225</b></u>	<u>\$ 2,230,498</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**GENERAL GOVERNMENT SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (UNAUDITED)

**SCHEDULE VI**

	2022 Budget	<b>2022</b>	2021
Legislative	\$ 403,537	<b>\$ 373,108</b>	\$ 339,895
Administrative	5,266,167	<b>4,681,037</b>	4,530,003
Financial services	1,134,429	<b>1,137,363</b>	1,192,326
Common services	882,629	<b>881,434</b>	942,533
Miscellaneous	247,910	<b>292,591</b>	152,002
Administration recoveries	(907,080)	<b>(895,220)</b>	(885,150)
Interest	57,750	<b>57,750</b>	57,750
Amortization	196,210	<b>332,822</b>	244,347
	<u>\$ 7,281,552</u>	<u><b>\$ 6,860,885</b></u>	<u>\$ 6,573,706</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**PROTECTIVE SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (UNAUDITED)

**SCHEDULE VII**

	2022 Budget	<b>2022</b>	2021
Police protection:			
R.C.M.P. contract	\$ 5,791,212	\$ <b>5,151,644</b>	\$ 4,794,859
Municipal employees	1,710,697	<b>1,894,834</b>	1,684,481
Crime prevention	7,870	<b>7,100</b>	7,100
Building maintenance	259,250	<b>289,970</b>	207,596
Bylaw enforcement	870,800	<b>800,947</b>	775,875
	8,639,829	<b>8,144,495</b>	7,469,911
Fire protection:			
General fire protection	322,945	<b>362,127</b>	385,062
Chemainus fire hall	375,268	<b>444,682</b>	386,615
Crofton fire hall	354,545	<b>354,472</b>	342,293
Maple Bay fire hall	369,385	<b>414,407</b>	337,758
South End fire hall	486,925	<b>657,959</b>	614,475
	1,909,068	<b>2,233,647</b>	2,066,203
Other protection:			
Building and plumbing inspections	718,175	<b>734,067</b>	614,719
Animal control	181,530	<b>190,993</b>	179,233
Weed control	15,000	<b>3,032</b>	2,430
Mosquito control	22,230	<b>18,668</b>	17,952
	936,935	<b>946,760</b>	814,334
Interest	531,662	<b>447,435</b>	35,012
Amortization	496,790	<b>638,792</b>	517,417
	1,028,452	<b>1,086,227</b>	552,429
	<b>\$ 12,514,284</b>	<b>\$ 12,411,129</b>	<b>\$ 10,902,877</b>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**ENGINEERING AND PUBLIC WORKS**  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (UNAUDITED)

**SCHEDULE VIII**

	2022 Budget	<b>2022</b>	2021
Administration	\$ 2,353,313	\$ <b>2,325,255</b>	\$ 2,253,293
Small tools and equipment	58,980	<b>63,312</b>	51,831
Workshop and yard maintenance	206,833	<b>231,223</b>	235,326
Roads - construction	51,786	<b>55,202</b>	55,447
Roadway and surfaces maintenance	1,500,804	<b>1,301,643</b>	1,367,659
Snow and ice removal	393,138	<b>757,001</b>	707,847
Bridge - maintenance	6,120	<b>59,827</b>	8,956
Street lighting	512,510	<b>431,527</b>	447,489
Signs and line painting	352,240	<b>358,075</b>	293,560
Drainage	782,365	<b>987,105</b>	950,067
Sidewalk maintenance	21,590	<b>45,006</b>	49,238
Other transportation	272,300	<b>430,759</b>	642,320
Administration recoveries	(761,760)	<b>(377,523)</b>	(746,916)
Loss on sale, write downs and transfer of TCA	-	<b>179,941</b>	16,455
Interest	146,920	<b>147,799</b>	146,919
Amortization	5,454,930	<b>5,664,589</b>	5,610,756
	<u>\$ 11,352,069</u>	<u>\$ <b>12,660,741</b></u>	<u>\$ 12,090,247</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**ENVIRONMENTAL HEALTH SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (UNAUDITED)

**SCHEDULE IX**

	2022 Budget	<b>2022</b>	2021
Garbage collection and recycling	\$ 1,596,365	<b>\$ 1,535,475</b>	\$ 1,482,726
Cemetery	241,748	<b>271,979</b>	210,128
Environmental	790,440	<b>626,590</b>	348,036
Amortization	77,440	<b>74,970</b>	75,921
	<b>\$ 2,705,993</b>	<b>\$ 2,509,014</b>	<b>\$ 2,116,811</b>
	<b>\$ 2,705,993</b>	<b>\$ 2,509,014</b>	<b>\$ 2,116,811</b>



THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**RECREATION AND CULTURAL SERVICES**  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (UNAUDITED)

**SCHEDULE X**

	2022 Budget	<b>2022</b>	2021
Administration	\$ 268,620	<b>\$ 294,174</b>	\$ 243,012
Crofton swimming pool	71,458	<b>65,997</b>	38,534
Cowichan Aquatic Centre	3,953,830	<b>4,015,143</b>	3,342,882
Fuller Lake Arena	1,043,732	<b>1,145,731</b>	1,062,096
Parks common services	78,509	<b>128,580</b>	164,446
Community recreation program	140,640	<b>137,947</b>	105,617
Chemainus parks and playgrounds	488,830	<b>493,119</b>	497,702
Crofton parks and playgrounds	221,418	<b>241,273</b>	228,162
South End parks and playgrounds	1,327,692	<b>1,383,084</b>	1,393,257
Wharves	176,715	<b>158,715</b>	152,915
Library	1,658,657	<b>1,658,657</b>	1,577,297
Grants-in-aid	1,467,386	<b>1,159,468</b>	1,460,336
Interest	500,840	<b>498,692</b>	499,760
Amortization	1,234,890	<b>1,373,224</b>	1,337,756
	<u>\$ 12,633,217</u>	<u><b>\$ 12,753,804</b></u>	<u>\$ 12,103,772</u>

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN  
**COVID-19 SAFE RESTART GRANT**  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (UNAUDITED)

**SCHEDULE XI**

	<b>2022</b>	<b>2021</b>
<b>Balance, beginning of year</b>	<b>\$ 951,635</b>	<b>\$ 2,750,808</b>
<b>Interest earned</b>	<b>1,691</b>	<b>34</b>
<b>Uses of funds</b>		
Revenue shortfall - Cowichan Aquatic Centre	<b>200,000</b>	1,149,130
General government operating expenses	<b>139,532</b>	88,390
Bylaw enforcement	<b>256,160</b>	119,400
IT operating expenses	<b>290,490</b>	201,227
Parks and recreation operating expenses	<b>-</b>	79,760
Capital expenses	<b>63,762</b>	161,300
	<b>949,944</b>	<b>1,799,207</b>
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ 951,635</b>