

Municipality of North Cowichan

Special Council

AGENDA

Tuesday, May 11, 2021, 5:00 p.m.
Electronically

Pages

1. CALL TO ORDER

This meeting, though electronic, is open to the public. All representations to Council will form part of the public record. Proceedings will be streamed live and archived at www.northcowichan.ca. Members of the public may join this online meeting and participate virtually during the Public Input and Question Period portions of the agenda.

- To join by computer, smartphone, or tablet, visit northcowichan.ca/virtualmeeting for instructions.
- To join by telephone, dial 1.844.426.4405, enter the meeting ID 133 399 7001, and then press # to join the meeting.

2. APPROVAL OF AGENDA

Purpose: To consider any items of business not included in the Agenda, that are of an urgent nature, must be introduced and approved at the time the agenda is adopted. Matters must be taken up in the order that they are listed unless changed at this time.

Recommendation:

That Council approve the agenda as circulated [or as amended].

3. PUBLIC INPUT

Public Input is an opportunity for the public to provide their feedback on matters included on the agenda. The maximum number of speakers to be heard during the public input period is limited to five, with a maximum of three minutes allotted to each speaker. To be added to the speakers list, please:

- click on the 'raise your hand' button, if participating by computer, smartphone, or tablet, or
- dial *3 on your phone

4. BUSINESS

4.1. 2020 Audited Financial Statements

4 - 79

Purpose: To present the 2020 Financial Statements.

Note: the Audit Findings report for the year end December 31, 2020 prepared by KPMG has been appended to the agenda preceding the staff report.

Recommendation:

That Council accept the 2020 Audited Financial Statements.

4.2. Chemainus Business Improvement Area Bylaw No. 3823, 2021

80 - 86

Purpose: To receive the results of the petition against the reestablishment of the Chemainus Business Improvement Area prior to considering adoption of the bylaw.

Recommendation:

That Council adopt Chemainus Business Improvement Area Bylaw No. 3823, 2021.

4.3. Financial Plan and Property Tax Rates Bylaws

87 - 93

Purpose: To consider adoption of Financial Plan and Property Tax Rates Bylaws, which received first three readings at the April 21, 2021 regular Council meeting.

Recommendation:

That Council adopt:

1. Five Year Financial Plan Bylaw, No. 3826, 2021; and
2. Tax Rates Bylaw No. 3827, 2021.

4.4. Alternative Municipal Tax Collection Scheme Bylaw No. 3831, 2021

94 - 95

Purpose: To consider adoption of Alternative Municipal Tax Collection Scheme Bylaw No. 3831, 2021, which received first three readings at the April 21, 2021 Regular Council meeting.

Recommendation:

That Council adopt Alternative Municipal Tax Collection Scheme Bylaw No. 3831, 2021.

4.5. Revenue Anticipation Borrowing Bylaw

96 - 96

Purpose: To consider adoption of Revenue Anticipation Borrowing Bylaw No. 3828, 2021, which received first three readings at the May 5, 2021 Regular Council meeting.

Recommendation:

That Council adopt Revenue Anticipation Borrowing Bylaw No. 3828, 2021.

5. NEW BUSINESS

6. QUESTION PERIOD

Question Period is an opportunity for the public to ask brief questions regarding the business discussed during the meeting. To be added to the speakers list, please:

- click on the 'raise your hand' button, if participating by computer, smartphone, or tablet, or
- dial *3 on your phone

7. CLOSED SESSION

8. ADJOURNMENT

Recommendation:

That Council adjourn the Special Council meeting at ____ p.m.



District of North Cowichan

Audit Findings Report for the year ended
December 31, 2020

Prepared for meeting on May 12, 2021

kpmg.ca/audit

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The contacts at KPMG in connection with this report are:

Lenora Lee

Engagement Partner
Tel: (250) 480-3588
lenoramlee@kpmg.ca

Daniel Healey

Engagement Manager
Tel: (250) 480-3553
danielhealey@kpmg.ca

This Audit Findings Report should not be used for any other purpose or by anyone other than Council. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive summary

Purpose of this report¹

The purpose of this Audit Findings Report is to assist you, as Council members, in your review of the results of our audit of the consolidated financial statements of District of North Cowichan (the “District”) as at and for the year ended December 31, 2020.

What’s new in 2020

There have been changes in fiscal 2020 which impacted financial reporting and our audit:

- COVID-19 pandemic – See pages 3
- New auditing standard for estimates – See page 4

Audit materiality

We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.

For the current period, we have determined group materiality of \$1,350,000. We include in this report any differences arising from our audit greater than \$67,500. See page 5 for further details.

Finalizing the audit

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

- Completing our discussions with Council members;
- Obtaining the signed management representation letter;
- Obtaining evidence of Council’s acceptance of the consolidated financial statements; and,
- Completing subsequent event review procedures up to the date of Council’s acceptance of the consolidated financial statements.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors’ report will be dated upon the completion of any remaining procedures.

¹ This Audit Findings Report is intended solely for the information and use of Management and Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive summary (continued)

Areas of audit focus

Our audit is risk-focused. We have not identified any significant risks. However, as part of our audit, we identified areas of audit focus which include:

- Tangible Capital Assets and Developer Contributed Assets
- Cash and Investments
- Revenues and Receivables

See pages 7-8 for the audit findings related to these areas of audit focus

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

We identified two differences that remain uncorrected, one item that arose in prior years.

We identified no adjustments as a result of our audit procedures.

The management representation letter in Appendix 2 includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

See page 9 for further details.

Control and other observations deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

We have identified other observations that we believe will be of interest to management and Council.

See pages 10-11 for further details.

Current developments

Please refer to Appendix 3 for the current development’s updates, including COVID-19 resources.

Independence

We confirm that we are independent with respect to the District within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2020 up to the date of this report.

What's new in 2020

COVID-19 Pandemic

Area of Impact:	Key Observations
Financial reporting impacts	<ul style="list-style-type: none"> - We considered impacts to financial reporting due to the COVID-19 pandemic and the increased disclosures needed in the financial statements.
Internal control over financial reporting	<ul style="list-style-type: none"> - There were minimal changes to internal controls over financial reporting due to the COVID-19 pandemic as the District did not move to a fully remote working environment and was able to maintain its internal controls and processes.
Risk assessment	<ul style="list-style-type: none"> - We performed a more thorough risk assessment specifically targeted at the impacts of the COVID-19 pandemic, including an assessment of fraud risk factors (i.e., conditions or events that may be indicative of an incentive/pressure to commit fraud, opportunities to commit fraud, rationalizations of committing fraud). No significant new risks were identified.
Auditing remotely	<ul style="list-style-type: none"> - We used virtual work rooms, video conferencing, and internally shared team sites to collaborate in real-time, both amongst the audit team as well as with management. - We used secure technologies to conduct walkthroughs, perform tests of controls and substantive tests. - We increased our professional skepticism when evaluating electronic evidence received and performed additional procedures to validate the authenticity and reliability of electronic information used as audit evidence.
Direction and supervision of the audit	<ul style="list-style-type: none"> - The Manager and Engagement Partner were actively involved in determining the impact that the COVID-19 pandemic had on the audit (as discussed above), including the impact on the District's financial reporting and the District's internal control over financial reporting. - The Manager and Engagement Partner implemented new supervision processes to deal with working in a remote environment, and our audit approach allowed us to manage the audit using meaningful milestones and frequent touch points.
Substantive testing – Response	<ul style="list-style-type: none"> - The District received a COVID-19 Safe Restart Grant of \$4,419,000 from the Province which was recognized as revenue in 2020; the details of how this funding was spent are included in an unaudited schedule to the financial statements.

What's new in 2020 (continued)

New auditing standard

Standard	Key observations
CAS 540, Auditing Accounting Estimates and Related Disclosures	<ul style="list-style-type: none">- The new standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty.- We assessed the risk of material misstatement due to estimation uncertainty for all estimates within the financial statements and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”. In assessing this risk, we considered the degree of complexity, uncertainty and subjectivity involved in making each accounting estimate to determine the level of audit response.- We considered the potential for management bias.- We determined that no estimates had a risk of material misstatement due to estimation uncertainty that was greater than remote.

Materiality

For the current period, the following amounts have been determined:

Materiality determination	Comments	Amount
Benchmark	Based on actual expenses for the year. This benchmark is consistent with the prior year.	\$49,050,686
Materiality	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.	\$1,350,000
% of Benchmark	Audit standards permit establishing materiality within a range between 0.5%-3.0% of the benchmark.	2.69%
Audit Misstatement Posting Threshold ("AMPT")	Threshold used to accumulate misstatements identified during the audit.	\$67,500

Materiality is used to scope the audit, identify risks of material misstatements and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

We report to Council



Corrected audit misstatements



Uncorrected audit misstatements

Audit risks

Professional requirements

Fraud risk from management override of controls

Why is this significant?

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our response

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments.
- Performing a retrospective review of significant estimates.
- Evaluating the business rationale of significant unusual transactions.

We used KPMG's data and analytics tools to select unusual or unexpected journal entries impacting reserves, including unusual journal entry pairings.

Significant findings

There were no issues noted in our testing.

Areas of audit focus

Area of audit focus

Tangible capital assets and developer contributed assets

Our response and significant findings

Our procedures included:

- During the year there were asset additions of \$23,568,393. We tested a sample of asset additions by agreeing amounts recognized to invoices or other supporting documentation.
- We calculated expected amortization expense based on known amortization rates and compared the expected amortization expense to actual.
- We assessed the current status of projects in progress to determine if there was any write down required for projects no longer being pursued.
- Developer contributed assets of \$10,866,948 were recognized as assets and revenue during 2020. We performed testing over assets and revenue by obtaining reports of assets contributed during the year and agreeing these reports to supporting approval of subdivisions. We assessed the valuation of the donated assets based on engineering completion reports and land values.
- We tested transfers from construction in progress to asset classes in use and confirmed the transfer occurred in the correct period and to the appropriate asset class.

No issues or adjustments were noted.

Area of audit focus

Cash and investments

Our response and significant findings

Our procedures included:

- We confirmed cash and investment balances held as at December 31, 2020 with the appropriate financial institutions and reviewed bank reconciliations for all key operating accounts to identify and verify any significant period end reconciling items.

We noted one historical difference between the cost and market value of investments held in MFA pooled funds that is not considered material.

Areas of audit focus (continued)

Area of audit focus

Revenues and receivables

Our response and significant findings

Our procedures included:

- We compared revenue balances on a financial statement account level to budget.
- We performed substantive testing over government transfers by agreeing revenues to supporting documentation and cash receipt. We agreed receipt of the Safe Restart Grant to the bank deposit and assessed the restrictions on how the funds can be spent. The grant of \$4,419,000 was appropriately recognized as revenue on receipt and unspent funds are reported in accumulated surplus.
- We performed substantive analytical procedures over the year-end accounts receivable balance.

No issues or adjustments were noted.

Area of audit focus

Salaries and benefits

Our response and significant findings

Our procedures:

- We obtained an understanding of the payroll processes.
- We calculated expected payroll expense and payroll accruals based on known staff numbers and salary increases. In each case our calculated expectation was within an acceptable range from the actual payroll expense, or payroll accrual recorded in the financial statements.
- We tested the completeness and accuracy of the underlying payroll data used in the development of our expectation including agreeing amounts to employment contracts.
- We tested the reasonability of future employee benefits such as sick time by reviewing reporting from the District's actuary and estimate of expected future payments.

No issues or adjustments were noted.

Areas of audit focus (continued)

Area of audit focus

Expenses, procurement and payables

Our response and significant findings

Our procedures:

- We performed a search for unrecorded liabilities by testing payments made subsequent to year end and assessing the completeness of liabilities and expenses.
- We compared actual balances to expectations taking into account known significant transactions such as the deferral of payment date of School Taxes owing to 2021, resulting in a larger liability owing at year end compared to previous years.

We noted one under accrual of a liability that remains unadjusted and is not considered material.

Significant accounting policies and practices



Significant accounting policies

- There were no initial selections of or changes to the significant accounting policies and practices.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the District's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the District's asset and liability carrying values.



Financial statement presentation and disclosure

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

Control and other observations

As your auditors, we are required to obtain an understanding of internal control over financial reporting (“ICFR”) relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing and extent of audit procedures performed, as well as other factors.

In accordance with professional standards, we are required to communicate to Council any control deficiencies that we identified during the audit that we have determined to be material weaknesses or significant deficiencies in internal control over financial reporting. No significant deficiencies have been identified.

Other control deficiencies may be identified during the audit that do not rise to the level of material weakness or significant deficiency. We have previously communicated to management other control deficiencies identified during the audit.

Other Matters

Description	Potential effect	Recommendation
Tracking of Developer Contributed Assets KPMG notes engineering does not keep a detailed tracking spreadsheet of developer contributed assets and their corresponding components (roads, water, sewer, etc)	This increases the risk that developer contributed assets are not properly tracked or allocated between asset classes, and that contributed assets could be overlooked and not included on the financial statements.	KPMG recommends that Engineering create a detailed tracking system and report for developer contributed assets, in collaboration with the finance department to ensure amounts align with the relevant financial reporting standards.
Recognition of Developer Contributed Assets KPMG noted during our testing of developer contributed assets (DCA) that there is no formal documentation to corroborate the transfer of ownership from the developer to the District. Currently assets are recorded 1 year after the project is complete, after the developer’s maintenance period has elapsed.	Without a formal documentation process for recognizing DCA’s, there is a risk that assets will not be recognized or will be recognized before the responsibility for the asset has transferred to the District.	KPMG recommends that after the 1-year warranty period has expired, the District issue a Certificate of Final Acceptance to the developer in which the District accepts the responsibility of the infrastructure. The certificate should be signed by the Development Engineer and formally document the transferring of the developer contributed assets to the District.

Description	Potential effect	Recommendation
Evidence of Review of Exception Reporting KPMG noted in our testing of the payroll process that the Payroll Coordinator is not evidencing their review of the payroll exception report.	Without evidence of review, it cannot be corroborated that this process is being followed.	KPMG recommends that review of all documents and reports be evidenced through signoff, whether digital or physical.
Approval of Expense Reports KPMG noted in our testing of council expense reports that expense reports were approved by the Executive Assistant to the CAO, while per the District of North Cowichan expense policy, expenses are to be approved by "the Chief Administrative Officer or the Department Head."	The Executive Assistant may be more easily pressured to authorise inappropriate expenses.	KPMG recommends that the District follow the terms of the internal expense policy regarding expense authorization.

Appendices

Appendix 1: Required communications

Appendix 2: Management representation letter

Appendix 3: Current developments and audit trends

Appendix 4: How we deliver audit quality



Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit.

These include:

Draft auditor's report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.

Management representation letter

In accordance with professional standards, a copy of the management representation letter are provided to Council at Appendix 2.

Independence

In accordance with professional standards, we have confirmed our independence.

Appendix 2: Management representation letter

Date of approval of financial statements

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of the District of North Cowichan (“the Entity”) as at and for the period ended December 31, 2020.

GENERAL:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

RESPONSIBILITIES:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated December 11, 2020, for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
 - i) the names of all related parties and information regarding all relationships and transactions with related parties; and
 - ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.
 - f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
 - g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
 - h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 3) We have disclosed to you:
- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

SUBSEQUENT EVENTS:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

GOING CONCERN:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

MISSTATEMENTS:

- 11) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

EMPLOYEE FUTURE BENEFITS:

- 12) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 13) All arrangements (contractual or otherwise) by which programs have been established to provide employee benefits have been disclosed to you and included in the determination of pension costs and obligations.
- 14) Each of the best estimate assumptions used reflects management's judgment of the most likely set of conditions affecting future events.
- 15) The source data and plan provisions provided used for preparation of the actuarial valuation are accurate and complete.
- 16) The discount rate used to determine the accrued benefit obligation for each plan was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.
- 17) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you.

SEGMENT DISCLOSURES:

- 18) The District's operating segments have been appropriately identified and the related segment and enterprise-wide disclosures have been made in the financial statements in accordance with the relevant financial reporting framework. The operating segment information disclosed in the financial statements is consistent with the form and content of the information used by the District's decision makers for the purposes of assessing performance and making operating decisions about the District's individual operations. All significant differences in measures used to determine segment income have been appropriately identified and described in the disclosures of segment information in accordance with the relevant financial reporting framework.

OTHER:

- 19) Expenditures will be appropriately authorized and actual expenditures will not exceed budgeted expenditures detailed in the budget bylaw.

- 20) All reserve transactions have been appropriately approved, in accordance with applicable legislation and are appropriately credited to or charged against fund balances. Reserve amounts represent only those amounts that are available for use at the District's discretion and do not include restrictions on use by third parties
- 21) All transfers out of statutory reserves have been conducted in accordance with the approved bylaws.
- 22) We confirm that the final version of the Annual Report will be provided to you when available, and prior to issuance by the District, to enable you to complete your audit procedures in accordance with professional standards.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 23) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 24) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

Talitha Soldera, Director of Financial Services

Walter Wiebe, Senior Manager of Financial Services

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Schedule of Audit Misstatements

Uncorrected differences

Description	Statement of operations effect	Statement of financial position effect		
	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated Deficit (Decrease) Increase
Underaccrual of liabilities	(411,700)	-	411,700	-
Reporting MFA pooled investments at cost instead of market value	297,530	297,530	-	-

Corrected adjustments

Contingent demand notes of \$828,023 on MFA debt were removed as assets and liabilities and were instead disclosed in the notes to the financial statements.

Appendix 3: Current developments and audit trends

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes regulatory and governance matters impacting public sector entities today, or expected to impact them over the next few years. We provide this information to help public sector entities understand upcoming changes and challenges they may face in their industry. Some of these developments may not impact the District directly, but we believe it is important for Council to understand what is happening in the sector.

Standard	Summary and implications
Impact of COVID-19	<ul style="list-style-type: none"> – In response to the impact of COVID-19 on public sector entities, PSAB has approved deferral of all upcoming accounting standards by one year and will issue non-authoritative guidance on the effects of COVID-19.
Asset Retirement Obligations	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. – The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life. – As a result of the new standard, the public sector entity will have to: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.

Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Revenue	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Employee Future Benefit Obligations	<ul style="list-style-type: none"> – PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 <i>Employee Benefits</i> as a starting point to develop the Canadian standard. – Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.
International Strategy	<ul style="list-style-type: none"> – PSAB has reviewed all proposed options for its international strategy, and in accordance with its due process, approved the option to adapt International Public Sector Accounting Standards when developing future standards. PSAB noted that the decision will apply to all projects beginning on or after April 1, 2021. – An exposure draft to modify the GAAP hierarchy has been issued with responses due by February 15, 2021.
Purchased Intangibles	<ul style="list-style-type: none"> – In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. – PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. – The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.

Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Financial Instruments and Foreign Currency Translation	<ul style="list-style-type: none"> – The accounting standards, PS3450 <i>Financial Instruments</i>, PS2601 <i>Foreign Currency Translation</i>, PS1201 <i>Financial Statement Presentation</i> and PS3041 <i>Portfolio Investments</i> are effective for fiscal years commencing on or after April 1, 2022. The effective date was deferred by one year due to COVID-19. – Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. – Hedge accounting is not permitted. – A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. – In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 <i>Financial Instruments</i> which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 <i>Financial Instruments</i>. The exposure drafts were released in summer 2020 with a 90-day comment period.
Public Private Partnerships ("P3")	<ul style="list-style-type: none"> – PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB is in the process of reviewing feedback provided by stakeholders on the exposure draft. – The exposure draft proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The exposure draft proposes that the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. – The final standard was approved in December 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023.

Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> – PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB has released four exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. Comments on the exposure drafts are due in May 2021. – PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. – In addition, PSAB is proposing: <ul style="list-style-type: none"> • Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present non-financial assets before liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. • A new provision whereby an entity can use an amended budget in certain circumstances. – Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.

Appendix 3: Current developments and audit trends (continued)

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace - both from an audit and industry perspective - indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought leadership

Thought leadership	Overview	Link
2020 Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. KPMG maintains a system of audit quality control that is designed to meet or exceed the requirements of the applicable professional standards. In fact, we are continuously reviewing our policies and practices to ensure we're aligned with all regulatory and professional requirements, which if our firm commitment to each other as well as to our clients and to the capital markets we serve.	Link to report
Put your data to work to gain competitive advantage	There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace.	Link to report
Predictive analytics, it works	CEOs recognize the value that predictive analytics delivers to their decision-making process.	Link to report
Creating the workforce of the future	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	Link to report
Accelerate	Introducing KPMG's 2021 edition of Accelerate, a series of articles and videos offering insight into the key issues driving Board agendas, including: <ul style="list-style-type: none">– Cyber risk– Internal control over financial reporting, disclosures and regulation– Digital disruption– Enterprise risk management– The evolution of environmental, social and governance (ESG) and disclosures	Link to report
Board Leadership Centre	KPMG provides leading insights to help Board members maximize boardroom opportunities.	Link to site

Appendix 3: Current developments and audit trends (continued)

COVID-19 pandemic resources

Resources	Summary	Links
Resources for management and the Board of Directors	<p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by federal, provincial and municipal news releases.</p> <ul style="list-style-type: none">– Business continuity guide– Immediate actions to take– Medium to long-term actions– Tax considerations and a summary of federal and provincial programs– Legal considerations– Financial reporting and audit considerations– Global perspectives	COVID-19 Alerts (Live Link)

Appendix 4: How do we deliver audit quality?

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

‘**Perform quality engagements**’ sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.



Doing the right thing. Always.

We define ‘**audit quality**’ as being the outcome when:

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



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KPMG member firms around the world have 227,000 professionals, in 146 countries.



Report

Date May 11, 2021
To Council
From Talitha Soldera, Director, Financial Services
Subject 2020 Audited Financial Statements

File:

Endorsed:



Purpose

To present the 2020 Financial Statements.

Background

The financial statements for the year ending December 31, 2020, were prepared by municipal staff 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, and have been applied on a basis consistent with the preceding year.

The Municipality maintains a system of internal accounting controls designed to safeguard the Corporation's assets and provide reliable financial information. We confirm and test these on a cyclical basis by contracted audit services.

The audit firm of KPMG was appointed by Council and is responsible for expressing an opinion as to whether the consolidated financial statements fairly represent the financial position of the Municipality of North Cowichan and the results of its 2020 operations.

Section 167 of the *Community Charter* requires that financial statements be prepared by the Financial Officer and presented to Council for its acceptance. Once Council accepts the draft statements, this date becomes the date of the Independent Auditor's Report and Financial Statements for the Year ending December 31, 2020. Audited financial statements must be submitted to the Province each year by May 15.

Discussion

As of December 31, 2020, the District had accumulated a surplus of \$329 million, an increase of \$21 million for the year. This is largely composed of net investments in tangible capital assets (\$285 million), including land, roads, buildings, utility assets and park infrastructure. Debenture debt decreased by \$1.4 million to \$17.6 million. Principal repayments were \$1 million, and the actuarial adjustment to debt was \$0.4 million.

Revenues increased by \$12.5 million from \$57.3 million to \$69.8 million. The increase is largely due to developer contributions. Expenses decreased by \$1.2 million from \$50.1 million to \$48.8 million and were under budget by \$3 million.

Capital expenditures for the year were \$12.1 million (2019 - \$6.6 million), including \$0.9 million on water capital, \$0.3 million on sewer capital, \$2.2 million on the new RCMP precinct, \$0.1million on information technologies, \$4.3 million on roads projects, \$0.4 million on vehicles and equipment, \$0.4 million on drainage projects, \$2.6 million on the Cowichan Aquatic Centre renovation and equipment, \$0.2 million on parks projects and \$0.1 million on the Fuller Lake Arena.

Overall capital expenditures were under budget by \$13.5 million. This was due to projects being incomplete or postponed during the year, which is in large part due to the uncertainties related to the COVID-19 pandemic. The Sportsplex Field House project (\$1.4 million) was delayed due to site planning and design delays. \$1.3 million of roads projects were postponed due to archeological studies or scope changes such as the Canada Avenue complete streets project and Murchie Road construction. \$0.5 million of roads projects were delayed due to delays in related projects such as the New RCMP precinct. The new RCMP building construction was under budget by \$4.1 million due to delays regarding the final decisions on the building and site works designs and materials. \$1.7 million of water projects were postponed, including the \$0.6 million water main from Beverly Street to Drinkwater Road and \$0.5 million for the Smiley Road water main replacement. \$1.2 million of sewer projects were postponed. \$0.9 million of building upgrades and maintenance were postponed due to design and feasibility study delays.

Options

Option 1 (Recommended): That Council accept the 2020 Audited Financial Statements.

Implications

The *Community Charter* requires annual financial statements to be audited by an independent auditor each year and submitted to the Ministry by May 15. Financial information is used to establish borrowing limits and submitting the information on time ensures that the Municipality is in good standing with the Inspector of Municipalities, enabling the ability to borrow and apply for grants.

Recommendation

That Council accept the 2020 Audited Financial Statements.

Attachments:

Attachment 1: 2020 Draft DNC Financial Statements

Attachment 2: 2020 Draft JUB Financial Statements

THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN
Consolidated Financial Statements

(Audited)

DECEMBER 31, 2020

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

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

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

Commitments and Contingent Liabilities (Note 14)

Approved by:

T. Soldera
 Director, Financial Services

See accompanying notes to the financial statements.

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

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

See accompanying notes to the financial statements.

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

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

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

See accompanying notes to the financial statements.

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

1. GENERAL

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) BASIS OF PRESENTATION

These consolidated financial statements consolidate the following operations:

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

b) BASIS OF ACCOUNTING

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

c) CASH AND CASH EQUIVALENTS

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

d) INVESTMENTS

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

e) LIABILITY FOR CONTAMINATED SITES

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

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

f) NON-FINANCIAL ASSETS

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

g) REVENUE RECOGNITION

i) Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year.

ii) Sale of services and user fee revenues are recognized when the service or product is rendered by the Corporation.

iii) Grant revenues are recognized when the funding becomes receivable.

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

g) REVENUE RECOGNITION CONTINUED

iv) Revenue unearned in the current period is recorded as deferred revenue.

v) Government transfers are recognized in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability. Transfers received for which expenses are not yet incurred are included in deferred revenue.

h) PROPERTY ACQUIRED FOR TAXES - DEEDED TO MUNICIPALITY

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

i) EMPLOYEE FUTURE BENEFITS AND COMPENSATION PAYABLE

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

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

j) APPROPRIATED SURPLUS - GENERAL REVENUE FUND

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

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

k) LEASES

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

k) LEASES CONTINUED

risks incidental to the ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses incurred.

l) TANGIBLE CAPITAL ASSETS

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

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

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

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

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

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

Tangible capital assets are written down when conditions indicate they no longer contribute to the Corporation's ability to provide goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

m) MATERIALS AND SUPPLIES

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

n) LOAN GUARANTEE

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

o) USE OF ESTIMATES

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

3. FINANCIAL INSTRUMENTS

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

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

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

4. CASH AND INVESTMENTS

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

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

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

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

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

5. ACCOUNTS RECEIVABLE

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

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

7. EMPLOYEE FUTURE BENEFITS AND COMPENSATION PAYABLE

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:

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

Under the terms of the union contract, sick leave not taken in a year is carried forward to a maximum accumulation for 120 working days for each employee. On retirement or termination of employment after 5 years of service, sick leave accumulated is paid out at the employee's prevailing wage rate.

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

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

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

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

7. EMPLOYEE FUTURE BENEFITS AND COMPENSATION PAYABLE CONTINUED

Significant actuarial assumptions as at December 31st include:

	2020	2019
Valuation interest rate	1.60%	2.40%
Rate of compensation increase	2.25%	2.25%
expected coverage remaining service life (in years)	11	10

8. UNEARNED REVENUE

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

9. MUNICIPAL FINANCE AUTHORITY - RESERVE DEPOSITS

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

The deposits are included in the Corporation's financial statements as MFA cash deposits. If the debt is repaid without default, the deposits are refunded to the Corporation. The notes, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default and are not recorded in the financial statements. Upon the maturity of a debt issue, the demand notes are released and deposits refunded to the Corporation. As at December 31, 2020, there were contingent demand notes of \$838,024(2019 - \$838,024) which are not included in the financial statements of the Corporation.

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

10. FUNDS HELD IN TRUST

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

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

11. RESTRICTED RESERVES

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

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

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

12. FEDERAL GAS TAX AGREEMENT FUNDS

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

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

13. DEBENTURE DEBT

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

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

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

13. DEBENTURE DEBT CONTINUED

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

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

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

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

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

14. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

15. ACCUMULATED SURPLUS

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

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

15. ACCUMULATED SURPLUS CONTINUED

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

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

16. BUDGET DATA

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

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

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

17. JOINT UTILITIES BOARD

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

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

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

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

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

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

18. SEGMENT REPORTING

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

GENERAL GOVERNMENT SERVICES

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

PROTECTIVE SERVICES

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

ENGINEERING AND PUBLIC WORKS

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

ENVIRONMENTAL HEALTH SERVICES

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

FORESTRY SERVICES

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

COMMUNITY DEVELOPMENT

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

RECREATION AND CULTURE SERVICES

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

WATER

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

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

18. SEGMENT REPORTING CONTINUED

SEWER

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

RESERVE FUNDS

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

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

19. LISTING OF OPERATING EXPENSES BY OBJECT TYPE

The following provides a summary of operating expenses by object:

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

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

SCHEDULE I

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

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

SCHEDULE II

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

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

SCHEDULE III

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

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

SCHEDULE IV

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

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

SCHEDULE V

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

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

SCHEDULE VI

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

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

SCHEDULE VII

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

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

SCHEDULE VIII

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

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

SCHEDULE IX

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

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

SCHEDULE X

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

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

SCHEDULE XI

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

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

SCHEDULE XI

For the Year Ended December 31, 2019	General government services	Protective services	Engineering and public works	Environmental health services	Forestry services	Community development	Recreation and cultural services	Water	Sewer	Reserve Funds	Capital	Consolidated
Revenues												
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>
Expenses												
Salaries, wages and benefits	4,547,593	3,251,099	2,831,887	570,762	332,630	908,098	4,787,990	1,285,212	835,654	-	-	19,350,925
Contract services	1,264,504	5,544,032	1,176,455	747,389	900,958	186,414	2,428,118	631,014	1,129,691	-	-	14,008,575
Materials and supplies	(33,915)	689,542	786,828	351,996	83,747	74,285	1,840,582	1,485,291	843,671	-	-	6,122,027
Amortization	207,744	488,289	5,398,045	75,921	11,214	-	1,208,922	1,080,192	1,098,914	-	-	9,569,241
Interest	57,750	42,050	146,919	-	-	-	535,144	131,199	23,667	-	-	936,729
	<u>6,043,676</u>	<u>10,015,012</u>	<u>10,340,134</u>	<u>1,746,068</u>	<u>1,328,549</u>	<u>1,168,797</u>	<u>10,800,756</u>	<u>4,612,908</u>	<u>3,931,597</u>	<u>-</u>	<u>-</u>	<u>49,987,497</u>
Expenditures before losses, write downs and transfers	6,043,676	10,015,012	10,340,134	1,746,068	1,328,549	1,168,797	10,800,756	4,612,908	3,931,597	-	-	49,987,497
Loss on sale, write downs and transfer of TCA	-	-	60,381	-	-	-	31,490	1,919	46,991	-	-	140,781
	<u>6,043,676</u>	<u>10,015,012</u>	<u>10,400,515</u>	<u>1,746,068</u>	<u>1,328,549</u>	<u>1,168,797</u>	<u>10,832,246</u>	<u>4,614,827</u>	<u>3,978,588</u>	<u>-</u>	<u>-</u>	<u>50,128,278</u>
Excess of revenues over expenses	<u>\$ (174,238)</u>	<u>\$ 973,998</u>	<u>\$ (1,637,604)</u>	<u>\$ (115,871)</u>	<u>\$ 280,542</u>	<u>\$ 128,337</u>	<u>\$ 338,754</u>	<u>\$ 577,583</u>	<u>\$ 807,887</u>	<u>\$ 2,158,931</u>	<u>\$ 3,853,829</u>	<u>\$ 7,192,148</u>

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

SCHEDULE XII

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

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
Financial Statements

(Audited)

DECEMBER 31, 2020

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

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

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

Approved by:

 T. Soldera
 Director, Financial Services

See accompanying notes to the financial statements.

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

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

1. SUMMARY OF OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Accounting

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

b) Revenue recognition

- i) Contributions from partners are recognized when invoiced.
- ii) Government transfers are recognized in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability. Transfers received for which expenses are not yet incurred are include in deferred revenue.

c) Cash and cash equivalents

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

d) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

e) Tangible Capital Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

e) Tangible Capital Assets continued

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

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

Tangible capital assets are written down when conditions indicate they no longer contribute to the Board's ability to provide goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

f) Use of Estimates

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

3. INVESTMENTS

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

4. OPERATING LEASE

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

5. FINANCIAL INSTRUMENTS

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

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

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

6. CAPITAL RESERVE FUNDS

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

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

7. LISTING OF OPERATING EXPENDITURES BY OBJECT TYPE

The following provides a summary of operating expenses by object:

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

8. STATEMENT OF CASH FLOWS


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

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

SCHEDULE I

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

Report

Date	May 11, 2021	File: 0360-20 BIA CH
To	Council	
From	Tricia Mayea, Deputy Corporate Officer	Endorsed: 
Subject	Chemainus Business Improvement Area Bylaw No. 3823, 2021	

Purpose

To receive the results of the petition against the reestablishment of the Chemainus Business Improvement Area prior to considering adoption of the bylaw.

Background

A business improvement area is a local service area established by a Municipal Council where business and light industry property owners finance activities to promote business.

The Chemainus Business Improvement Area (CBIA) was originally established through the adoption of Chemainus Business Improvement Area (Willow) Bylaw 2881, in 1996, to advertise and promote special events, and the beautification of streets, sidewalks, land, buildings or structures within the CBIA, which at that time was limited to a portion of Willow Street. The land covered in the CBIA was later expanded to include additional properties as depicted in Schedule 1 of the current CBIA (i.e. CBIA Bylaw No. 3698) which had been in effect from May 9, 2018 and expired on May 1, 2021.

Chemainus Business Improvement Area Bylaw No. 3823, 2021 (Bylaw No. 3823) proposes to reestablish the same local service area that expired on May 1, 2021. A formal request to renew the CBIA was submitted by the CBIA president and manager on March 19, 2021, which was then brought forward to Council to consider at a special meeting on March 23, 2021. At that meeting Council passed the following motion:

That Council give first, second and third reading to Chemainus Business Improvement Area Bylaw No. 3823, 2021;

And That Council give notice that it intends to reestablish a Business Improvement Area for Chemainus, unless a valid petition against this service is presented within 30-days after notice had been given.

This process was initiated in accordance with section 213 of the *Community Charter*, and notice of Council's intention to proceed with Bylaw No. 3823 was given in accordance with Section 94 of the *Community Charter*. This notice was:

- published in the March 25, 2021, and April 1, 2021 editions of the Cowichan Valley Citizen newspaper and the Chemainus Courier;

- posted on the municipal website and the notice board at the main entrance to the Municipal Hall on March 25, 2021; and,
- sent to all property owners within the CBIA.

The deadline to submit a petition against the reestablishment of the CBIA was Monday, May 3, 2021, at 4:30 p.m.

Discussion

In order for a petition for a local area service to be certified as sufficient and valid, as per subsection 212(3) of the *Community Charter*,

- a) the petition must be signed by the owners of at least 50% of the parcels that would be subject to the local service tax, and
- b) the persons signing must be the owners of parcels that in total represent at least 50% of the assessed value of land and improvements that would be subject to the local service tax.

The submission of petitions against Bylaw No. 3823 by 2.82% of the property owners representing 2.62% of the total assessed value of land and improvements within the proposed area is not deemed to be a sufficient petition.

SUMMARY OF SUBMISSION OF PETITIONS		
% of Owners Against	2.82%	4 of 142 Parcels
% of Total Assessment Against	2.62%	\$881,700 of \$33,592,401

In accordance with section 211 of the *Community Charter*, Council may proceed with the adoption of Bylaw No. 3823 if they so choose.

Options

- (1) **(Recommended)** That Council adopt Chemainus Business Improvement Area Bylaw No. 3823, 2021.
- (2) That Council abandon Chemainus Business Improvement Area Bylaw No. 3823, 2021.

Implications

If Council adopts Bylaw No. 3823, the Chemainus BIA will be reestablish for three years, expiring on May 1, 2024. If Council abandons Bylaw No. 3823, the Chemainus BIA will not be reestablished.

Recommendation

That Council adopt Chemainus Business Improvement Area Bylaw No. 3823, 2021.

Attachments: (1) Certificate of Sufficiency
(2) Chemainus Business Improvement Area Bylaw No. 3823, 2021

CERTIFICATE OF SUFFICIENCY

Establishment of a Business Improvement Area in Chemainus

I HEREBY CERTIFY that the following petitions were received in opposition of the establishment of a business improvement area as identified in the proposed Business Improvement Area bylaw "Chemainus Business Improvement Area Bylaw No. 3823, 2021".

Total Number of Parcels in the BIA	Total Valid Petitions Received Against BIA Renewal	Percentage of Owners	Assessed Land Value Percentage
142	4	2.82	2.62

Therefore "Chemainus Business Improvement Area Bylaw No. 3823, 2021" meets the requirements of Section 212 of the *Community Charter*, and the local government may proceed with the adoption of the bylaw to establish a Business Improvement Area.

DATED at Duncan, B.C.,
This 4th day of May, 2021.



Tricia Mayea
Deputy Corporate Officer



The Corporation of the District of North Cowichan
Chemainus Business Improvement Area Bylaw, 2021

Bylaw 3823

Contents

- 1 Citation
- 2 Definitions and interpretation
- 3 Annual grant
- 4 Grant restrictions
- 5 Grant recovery
- 6 Financial statements
- 7 Insurance
- 8 Schedules
- 9 Expiry
- 10 Repeal
- Schedules

The Council of The Corporation of the District of North Cowichan, in open meeting assembled, enacts as follows:

Citation

- 1** This bylaw may be cited as Chemainus Business Improvement Area Bylaw No. 3823, 2021.

Definitions and interpretation

- 2** (1) In this Bylaw:
 - "applicant"** means the Chemainus B.C. Business Improvement Association, or a successor organization;
 - "business improvement area"** means the local service area designated in section 2.
 - "business promotion scheme"** means
 - (a) advertising and promotion,
 - (b) beautification of streets, sidewalks or municipally-owned land, buildings or structures in the business improvement area,
 - (c) special events, and
 - (d) related administration.
- (2) For the purposes of this Bylaw, the business improvement area to which this Bylaw applies is comprised of those tracts of land within the areas designated as Sub-Areas 1, 2, and 3 on Schedule 1.

Annual grant

- 3** Council is empowered to grant to the applicant the sum of approximately \$110,000, on or before August 1, 2021, 2022 and 2023.

Grant restrictions

- 4** The money granted under this Bylaw must be expended only
- (a) by the applicant,
 - (b) in accordance with the conditions and limitations set out in this Bylaw,
 - (c) for the business promotion scheme, and
 - (d) for projects and expenditures provided for in the applicant's annual budget.

Grant recovery

- 5** (1) The money granted to the applicant under this Bylaw must be recovered within the business improvement area from the owners of land within that area.
- (2) For the purpose of recovering the monies granted to the applicant under this Bylaw, the Council must impose a property value local service tax on all properties within the business improvement area, as set out in Schedule 2.

Financial statements

- 6** The applicant must account for the money granted to it by submitting to the Municipality annual financial statements, prepared in accordance with generally accepted accounting principles.

Insurance

- 7** The applicant must take out, maintain and provide the Municipality with proof of its comprehensive general liability insurance in the amount of at least \$2 million dollars, naming North Cowichan as an additional insured.

Schedules

- 8** Schedules 1 and 2 form part of this Bylaw.

Expiry

- 9** This Bylaw must cease to have effect on the 1st day of May, 2024.

Repeal

- 10** Chemainus Business Improvement Area Bylaw, 2018, No. 3698, is repealed.

READ a first time on March 23, 2021

READ a second time on March 23, 2021

READ a third time on March 23, 2021

NOTICE of intention to proceed with this Bylaw was published on March 25, 2021 and April 1, 2021 in the Cowichan Valley Citizen newspaper, pursuant to Section 94 of the *Community Charter*.

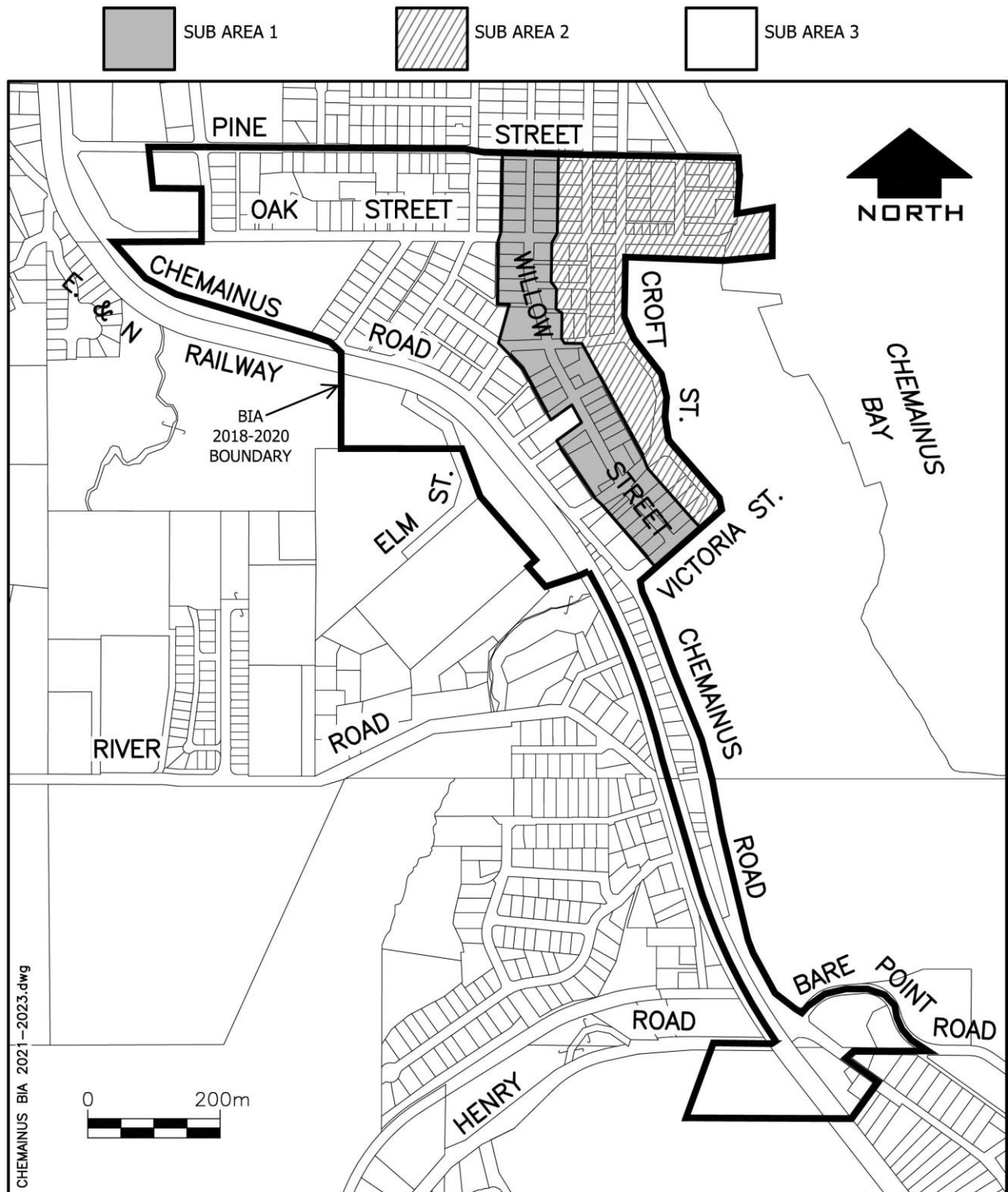
ADOPTED on

CORPORATE OFFICER

PRESIDING MEMBER

Schedule 1

CHEMAINUS BIA 2021-2023



Schedule 2

Chemainus Business Improvement Area

Annual Charges

For the years 2021 - 2023, the owners of properties liable to be specially charged will be charged rates per thousand dollars of assessed value as follows:

Sub-Area	Ratio Charged on Assessed Value
1	\$ 4.25
2	3.50
3	2.50

Note:

The tax will be applied only to properties within the BIA area outlined on Schedule "1" that have both land and improvements classified by the B.C. Assessment Authority as "business and other" (Class 6). For certainty, residential (Class 1) land and improvements will not be subject to the tax.



The Corporation of the District of North Cowichan
Five-Year Financial Plan Bylaw, 2021

Bylaw 3826

Contents

- 1 Citation
- 2 Financial plan establishment
- 2 Objectives and policies
- 3 Expenditure authority
- 4 Cheque signing authority
- 5 Ratification of payments
- 6 Repeal
- Schedule 1
- Schedule 2

The Council of The Corporation of the District of North Cowichan enacts as follows:

Citation

- 1** This Bylaw may be cited as *"Five-Year Financial Plan Bylaw, No. 3826, 2021"*.

Financial plan establishment

- 2** Schedule 1, attached to and forming part of this Bylaw, is adopted as North Cowichan's 5-year financial plan.

Objectives and policies

- 3** Schedule 2, attached to and forming part of this Bylaw, sets out Council's objectives and policies for the years 2021 through 2025 regarding
- (a) the proportion of total revenue that is proposed to come from
 - (i) property value taxes,
 - (ii) parcel taxes,
 - (iii) fees,
 - (iv) proceeds from borrowing, other than borrowing under section 177 *[revenue anticipation borrowing]* of the *Community Charter*, and
 - (v) other sources,
 - (b) the distribution of property value taxes among the property classes that may be subject to the taxes, and
 - (c) the use of permissive tax exemptions.

Expenditure authority

- 4** This Bylaw authorizes North Cowichan's municipal officers to expend in each year the sums of money shown in columns 2 through 6, Schedule 1, for the purposes described in column 1, Schedule 1.

Cheque signing authority

- 5** All North Cowichan cheques must be signed by any two of the Mayor, Chief Administrative Officer, Director, Financial Services, Manager, Legislative Services or their deputies.

Ratification of payments

- 6** All payments already made from municipal revenues for the current year are ratified and confirmed.

Severability

- 7** If any provision of this Bylaw is, for any reason, found invalid by a court of competent jurisdiction, the provision must be severed and the remainder of the Bylaw left valid and enforceable.

Repeal

- 8** "Five-Year Financial Plan Bylaw, 2020", No. 3785, and all amendments thereto, is hereby repealed.

READ a first time on April 21, 2021
READ a second time on April 21, 2021
READ a third time on April 21, 2021
ADOPTED

CORPORATE OFFICER

PRESIDING MEMBER

Schedule 1

Proposed Expenditures, Funding Sources and Fund Transfers

Item	Column 1 Description	Column 2 2021	Column 3 2022	Column 4 2023	Column 5 2024	Column 6 2025
1	Revenues					
2	Property Taxes	33,916,250	36,013,090	38,115,810	39,823,940	41,576,530
3	Parcel Taxes	4,973,910	5,178,290	5,404,620	5,620,830	5,857,190
4	User Fees	10,332,040	12,239,270	13,515,980	13,692,090	13,979,860
5	Other	11,555,324	9,284,720	21,506,660	8,060,840	3,286,420
6		60,777,524	62,715,370	78,543,070	67,197,700	64,700,000
7	Expenses					
8	General Operating	36,638,320	36,483,910	36,646,820	37,397,130	38,194,460
9	Sanitary Sewer Operating	3,622,280	3,136,500	3,186,740	3,249,160	3,312,790
10	Water Operating	3,322,200	3,248,290	3,277,010	3,342,290	3,408,920
11	Interest on Debt	975,540	1,644,730	2,300,370	2,343,640	2,339,960
12	Amortization	9,514,540	9,693,170	9,877,090	10,087,300	10,299,600
13		54,072,880	54,206,600	55,288,030	56,419,520	57,555,730
14	Annual Surplus / (Deficit)	6,704,644	8,508,770	23,255,040	10,778,180	7,144,270
15	Add back: Unfunded Amortization	9,514,540	9,693,170	9,877,090	10,087,300	10,299,600
16	Capital Expenditures					
17	General Capital	46,709,680	30,304,200	7,329,410	8,261,160	8,935,250
18	Sanitary Sewer Capital	2,591,420	9,602,080	24,622,460	11,710,220	826,710
19	Water Capital	5,106,000	4,726,350	1,372,120	1,122,000	1,688,520
20		54,407,100	44,632,630	33,323,990	21,093,380	11,450,480
21	Proceeds from Borrowing	(28,600,000)	(22,900,000)	0	0	0
22	Principal Payments on Debt	1,095,550	1,968,830	2,973,000	3,241,540	3,229,200
23	Transfers to or between Reserve Funds	(4,688,266)	(966,500)	451,910	131,250	541,700
24	Transfers to or between Accumulated Surplus	(5,995,200)	(4,533,020)	(3,616,770)	(3,600,690)	2,222,490
25		(38,187,916)	(26,430,690)	(191,860)	(227,900)	5,993,390
26	Financial Plan Balance	0	0	0	0	0

Schedule 2

Financial Objectives and Policies

1. Funding Sources

Property taxation is North Cowichan's principal revenue source. As a revenue source, property taxation is simple to administer and relatively easy for residents to understand. It is also a stable and reliable source of revenue for services that are hard or undesirable to fund on a user-pay basis. User fees and charges form the next largest portion of North Cowichan's revenue and are collected from a variety of municipal services, permits, and licences. User fees attempt to align the value of a service to those who use the service. It is generally preferable to charge a user fee for services to specific users, than to levy a general tax on all property owners. The table below shows the proportion of North Cowichan revenue proposed to be raised from each funding source in 2021.

Table 1 - Sources of Revenue

Item	Column 1 Revenue Source	Column 2 % of Total Revenue	Column 3 Dollar Value
1	Property Taxes	37.9%	33,916,250
2	Parcel Taxes	5.6%	4,973,910
3	User Fees and Charges	11.6%	10,332,040
4	Proceeds from Borrowing	32.0%	28,600,000
5	Other	12.9%	11,555,324
6	Total	100.00%	89,377,524

Council's objectives and policies regarding funding sources are to

- (a) use property taxes for services that do not lend themselves to a user-pay approach,
- (b) allocate 10% to 15% of municipal property tax revenue to capital projects,
- (c) charge user fees, where possible, to align services with those who use them, and
- (d) look for new revenue sources.

2. Distribution of Property Tax Rates

Council's objectives and policies regarding the distribution of property tax rates are to strive to

- (a) set tax rates and ratios that maintain tax stability between property classes while factoring in non-market growth within classes,
- (b) set Class 4 (Heavy Industry) at the provincial average tax ratio and at no more than 3 times Class 6 (Business),
- (c) set Class 5 (Light Industry) at no more than 2 times Class 6 (Business),
- (d) set Class 6 (Business) at no more than 2 times Class 1 (Residential),
- (e) set Class 7 (Managed Forest) at no more than 2 times Class 6 (Business),
- (f) set Class 8 (Non-profit and Recreation) tax ratio at 1.00, to assist sector, and
- (g) set Class 9 (Farm) tax ratio at 1.00, to encourage local farm production.

Table 2 – 2021 Property Tax and Ratios Distribution

Item	Column 1 Property Class	Column 2 % of Total Property Taxation	Column 3 Dollar Value	Column 4 Ratios
1	Residential	68.0%	21,858,786	1.00
2	Utilities	0.6%	208,252	8.44
3	Supportive Housing	0.0%	-	-
4	Major Industrial	14.4%	4,636,709	9.03
5	Light Industrial	3.3%	1,064,686	3.77
6	Business and Other	13.2%	4,248,842	2.73
7	Managed Forest	0.2%	49,037	4.45
8	Recreation/Non-profit	0.2%	69,388	1.00
9	Farm land	0.1%	29,470	1.00
10	Total	100.00%	32,165,170	

3. Permissive Tax Exemptions

North Cowichan supports local non-profit organizations through permissive tax exemptions. Each year a list of these exemptions are included in the Annual Report. Permissive property tax exemptions are governed by the North Cowichan Permissive Tax Exemption Policy.



The Corporation of the District of North Cowichan

Tax Rates Bylaw, 2021

Bylaw 3827

The Council of The Corporation of the District of North Cowichan enacts as follows:

Citation

- 1** This Bylaw may be cited as "Tax Rates Bylaw, No. 3827, 2021".

2021 Tax Rates

- 2** This Bylaw imposes tax rates for the year 2021 appearing in Schedule A, attached to and forming part of this bylaw, on the assessed value of all land and improvements within the Municipality of North Cowichan, for the following purposes:
 - (a) North Cowichan general municipal purposes - Column A;
 - (b) Chemainus Business Improvement Area - Column B;
 - (c) Cowichan Valley Regional District - Column C;
 - (d) Cowichan Valley Regional District's Cowichan Community Centre - Column D;
 - (e) Cowichan Valley Regional District's Theatre Grant – Column E;
 - (f) Cowichan Valley Regional District's Cowichan River Flood Management - Column F;
 - (g) Cowichan Valley Regional Hospital District - Column G.
- 3** The tax rates and percentage additions shall be payable at the Municipal Hall, 7030 Trans-Canada Highway, Duncan, British Columbia.

Severability

- 4** If any provision of this Bylaw is, for any reason, found invalid by a court of competent jurisdiction, the provision must be severed and the remainder of the Bylaw left valid and enforceable.

READ a first time April 21, 2021
READ a second time April 21, 2021
READ a third time April 21, 2021
ADOPTED

CORPORATE OFFICER

PRESIDING MEMBER

Schedule A

2021 TAX RATES

(Dollars of Tax per \$1,000 of Net Taxable Value)

Property Class	A General Municipal	B Chemainus Business Improvement Area	C Cowichan Valley Regional District (CVRD)	D CVRD Cowichan Community Centre	E CVRD Theatre Grant	F CVRD Cowichan River Flood Mgmt.	G Cowichan Valley Regional Hospital District
Residential	3.3581		0.75220	0.52418	0.05354	0.01595	0.48452
Utility	28.3541		2.63280	1.83463	0.18740	0.05584	1.69582
Major Industry	30.3172		2.55750	1.78221	0.18204	0.05425	1.64737
Light Industry	12.6738		2.55750	1.78221	0.18204	0.05425	1.64737
Business	9.1740		1.84290	1.28424	0.13118	0.03909	1.18707
Business – Area 1		4.2500					
Business – Area 2		3.5000					
Business – Area 3		2.5000					
Managed Forests	14.9582		2.25670	1.57254	0.16063	0.04786	1.45356
Recreational/Non-Profit	3.3581		0.75220	0.52418	0.05354	0.01595	0.48452
Farm	3.3581		0.75220	0.52418	0.05354	0.01595	0.48452



The Corporation of the District of North Cowichan

Alternative Municipal Tax Collection Scheme Bylaw, 2021

Bylaw 3831

WHEREAS section 235 of the *Community Charter* authorizes the Council of The Corporation of The District of North Cowichan to establish an alternative municipal tax collection scheme;

NOW THEREFORE, the Council of The Corporation of The District of North Cowichan enacts as follows:

Title

1. This bylaw may be cited as the "Alternative Municipal Tax Collection Scheme Bylaw No. 3831, 2021".

Definitions

2. In this bylaw:
 - a. "District" means The Corporation of the District of North Cowichan; and,
 - b. "property taxes" has the same meaning as in the *Community Charter*.

Establishment of Alternative Scheme

3. An alternative municipal tax collection scheme is hereby established for the taxpayers of the District.

Property Tax Penalty

4. If all or part of the property taxes for the current taxation year for a parcel of land and its improvements on the assessment roll remain unpaid after the first working day in September:
 - a. The collector must add to the unpaid property taxes for the parcel and improvements for the current year a penalty equal to 10% of the portion that remains unpaid; and,
 - b. the penalty referred to in subsection (a) is due as part of the property taxes for the current year for the parcel and improvements.

Election of Applicable Tax Scheme

5. An owner may elect to pay property taxes under either the alternative municipal tax collection scheme or the general tax scheme by giving written notice to the District between April 30 and May 15 of the year in which the property taxes are levied.

6. Where an owner does not make an election under section 5, the alternative municipal tax collection scheme applies.

Effective Date

7. This bylaw shall come into force and effect on the date it is adopted, and shall be effective for the 2021 taxation year.
8. This bylaw is repealed on December 31, 2021.

READ a first time on April 21, 2021
READ a second time on April 21, 2021
READ a third time on April 21, 2021
ADOPTED on

CORPORATE OFFICER

PRESIDING MEMBER



The Corporation of the District of North Cowichan

Revenue Anticipation Borrowing Bylaw

Bylaw 3828

WHEREAS it is provided by Section 177 of the *Community Charter* that Council may provide for the borrowing of money that may be necessary to meet the current lawful expenditures of the Municipality;

AND WHEREAS the total outstanding liabilities incurred shall not at any time exceed the sum of the unpaid taxes for all purposes imposed during the current year and the money remaining due from other governments;

AND WHEREAS the total amount of liability that Council may incur is Forty Eight Million Dollars (\$48,000,000) being seventy-five percent of the taxes imposed for all purposes in 2020;

NOW THEREFORE the Council of The Corporation of the District of North Cowichan, in open meeting assembled, enacts as follows:

- 1** This bylaw may be cited as "Revenue Anticipation Borrowing Bylaw No. 3828, 2021".
- 2** The Council shall be and is hereby empowered and authorized to borrow upon the credit of the Municipality such amounts and at such times as may be required an amount or amounts not exceeding the sum of Twenty Four Million Dollars (\$24,000,000).
- 3** The form of obligation to be given as acknowledgment of the liability shall be a promissory note or notes signed by the Mayor and Financial Officer.
- 4** When collected, revenue from property value taxes must be used as necessary to repay money borrowed under this bylaw.

READ a first time on May 5, 2021

READ a second time on May 5, 2021

READ a third time on May 5, 2021

ADOPTED on

CORPORATE OFFICER

PRESIDING MEMBER