

Report

Date May 3, 2023
Subject 2022 Audited Financial Statements

File:

PURPOSE

To present the 2022 Financial Statements of the Municipality of North Cowichan and the Joint Utilities Board. A presentation by the auditors from KPMG will be provided at the meeting.

BACKGROUND

The financial statements for the year ended December 31, 2022, 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.

Council appointed the audit firm of KPMG and they are responsible for expressing an opinion as to whether the consolidated financial statements present fairly the financial position of the Municipality of North Cowichan and the results of its 2022 operations.

Section 167 of the *Community Charter* requires the Financial Officer to prepare the financial statements and present them to Council for 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, 2022. Audited financial statements must be submitted to the Province each year by May 15.

DISCUSSION

As of December 31, 2022, the Municipality had accumulated a surplus of \$340 million, an increase of \$6.7 million for the year. This is not a cash surplus; it is largely composed of net investment in tangible capital assets (\$314 million), including land, roads, buildings, utility assets and park infrastructure. Debenture debt increased by \$20 million to \$37 million, with the increase primarily related to the new building for the RCMP. Principal repayments were \$1.2 million, and actuarial adjustment to debt was \$537,057.

Revenues increased by \$6.2 million from \$58.6 million to \$64.8 million. The increase was mainly due to a change in the reported value of investments, reporting at cost rather than at market value, and due to increased developer contributions. Expenses increased by \$3.4 million from \$54.6 to \$58 million and were slightly under budget by approximately \$900,000.

Capital expenditures for the year were \$28 million (2021 - \$17 million). Overall capital expenditures were under budget primarily due to the timing of construction expenses on the new civic building for the RCMP.

The Joint Utilities Board accumulated surplus as of December 31, 2022, was \$7 million. This is up \$0.9 million over 2021 due to an increase in capital assets. Operating expenses remain consistent with 2021. The Joint Utilities Board results are proportionately consolidated in the financial statements of the Municipality of North Cowichan and the City of Duncan based on the number of users.

OPTIONS

1. **(Recommended Option)** THAT Council accept the 2022 Audited Financial Statements of the Municipality of North Cowichan and the Duncan-North Cowichan Joint Utilities Board.

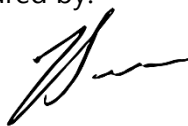
IMPLICATIONS

The *Community Charter* requires annual financial statements to be audited by an independent auditor each year and submitted to the Ministry of Municipal Affairs by May 15. Financial information is used to establish borrowing limits, and submitting the information on time ensures 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 2022 Audited Financial Statements of the Municipality of North Cowichan and the Duncan-North Cowichan Joint Utilities Board.

Report prepared by:



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Chief Financial Officer

Approved to be forwarded to Council:



Ted Swabey
Chief Administrative Officer

Attachments:

- (1) Draft 2022 MNC Financial Statements
- (2) Draft 2022 JUB Financial Statements