

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
Financial Statements

(Audited)

DECEMBER 31, 2022

Draft

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
FOR THE YEAR ENDED DECEMBER 31, 2022

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DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022, WITH COMPARATIVE INFORMATION FOR 2021

	<u>2022 Actual</u>	<u>2021 Actual</u>
Financial Assets		
Investments (Notes 3 and 5)	<u>\$ 4,230,295</u>	<u>\$ 4,255,217</u>
Financial Liabilities		
Unearned revenue	<u>2,007,614</u>	<u>2,196,381</u>
Net Financial Assets	<u>2,222,681</u>	<u>2,058,836</u>
Non-Financial Assets		
Tangible capital assets (Schedule I)	<u>4,874,475</u>	<u>4,077,130</u>
Accumulated Surplus (Note 6)	<u><u>\$ 7,097,156</u></u>	<u><u>\$ 6,135,966</u></u>

Approved by:

T. Soldera
Director, Financial Services

See accompanying notes to the financial statements.

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DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2022, WITH COMPARATIVE INFORMATION FOR 2021

	2022 Budget (Note 8)	2022 Actual	2021 Actual
Revenues			
Contributions from:			
The Corporation of the District of North Cowichan	\$ 2,307,365	\$ 917,720	\$ 880,554
The Corporation of the City of Duncan	1,324,045	510,849	498,824
Cowichan Valley Regional District	565,622	255,218	249,043
Cowichan Tribes	87,877	41,486	36,774
Return on investments	-	48,646	16,212
Grants and government transfers	4,667,440	481,326	615,366
	<u>8,952,349</u>	<u>2,255,245</u>	<u>2,296,773</u>
Expenses			
Administration	62,040	57,343	59,155
Amortization	89,850	89,849	89,849
Sewer lagoon operations and maintenance	1,240,779	1,146,863	1,183,154
	<u>1,392,669</u>	<u>1,294,055</u>	<u>1,332,158</u>
Annual Surplus	\$ 7,559,680	961,190	964,615
Accumulated surplus, beginning of year	<u>6,135,966</u>	<u>6,135,966</u>	<u>5,171,351</u>
Accumulated surplus, end of year	<u>\$ 13,695,646</u>	<u>\$ 7,097,156</u>	<u>\$ 6,135,966</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, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Accounting

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

b) Revenue recognition

- i) 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 or stipulations not met are included in unearned revenue.

c) Cash and cash equivalents

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

d) Non-Financial Assets

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

e) Tangible Capital Assets

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

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

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

e) Tangible Capital Assets continued

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. An 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.

2. 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.

3. INVESTMENTS

Investments are carried at cost, which at December 31, 2022, 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 leases the sewage lagoon lands under an operating lease which expires July 31, 2060. Lease payments for 2023 are \$414,000 and have an annual increase of 2.2%. The total lease payments over the remaining term are estimated at \$23.8 million.

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, 2022

6. CAPITAL RESERVE FUNDS

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

	2022	2021
Balances, beginning of year	\$ 2,058,836	\$ 1,927,423
Add: transfers from current operations	163,845	131,413
Balance, end of year	\$ 2,222,681	\$ 2,058,836

7. LISTING OF OPERATING EXPENSES BY OBJECT TYPE

The following provides a summary of operating expenses by object:

	2022	2021
Salaries, wages and benefits	\$ 195,116	\$ 267,849
Contract services	28,931	54,758
Amortization	89,849	89,849
Materials and supplies	575,098	523,361
Land rent	405,061	396,341
Total expense	\$ 1,294,055	\$ 1,332,158

8. BUDGET DATA

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

	2022
Financial Plan Bylaw surplus for the year	\$ -
Add back:	
Capital expenditures	7,534,330
Less:	
Amortization	(89,850)
Budgeted transfers to reserve funds	115,200
Adjusted Annual Surplus	\$ 7,559,680

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

9. STATEMENTS OF CHANGES IN NET FINANCIAL ASSETS AND CASH FLOWS

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

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DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD
TANGIBLE CAPITAL ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2022

SCHEDULE I

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Balance December 31, 2021	2022 Additions	2022 Disposals	2022 Write-downs	Balance December 31, 2022	Balance December 31, 2021	2022 Additions	2022 Disposals	Balance December 31, 2022	2021	2022
Buildings	\$ 192,388	\$ -	\$ -	\$ -	\$ 192,388	\$ 19,640	\$ 4,810	\$ -	\$ 24,450	\$ 172,748	\$ 167,938
Engineering Structures	2,485,490	-	-	-	2,485,490	476,385	49,710	-	526,095	2,009,105	1,959,395
Machinery & Equipment	706,581	-	-	-	706,581	144,260	35,329	-	179,589	562,321	526,992
Work In Progress	1,332,956	887,194	-	-	2,220,150	-	-	-	-	1,332,956	2,220,150
	<u>\$ 4,717,415</u>	<u>\$ 887,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,604,609</u>	<u>\$ 640,285</u>	<u>\$ 89,849</u>	<u>\$ -</u>	<u>\$ 730,134</u>	<u>\$ 4,077,130</u>	<u>\$ 4,874,475</u>

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