

Report

Date May 1, 2024
Subject 2023 Audited Financial Statements

File:

PURPOSE

To present the 2023 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, 2023, were prepared by management 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 consistently with the preceding year.

North Cowichan maintains a system of internal accounting controls designed to safeguard the municipality's assets and provide reliable financial information in an accurate and timely manner. We confirm and test these internal accounting controls cyclically by contracted auditing services.

Council appointed KPMG to audit, and they are responsible for expressing an opinion as to whether the consolidated financial statements fairly present North Cowichan's financial position and the results of its 2023 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 financial statements, this date becomes the date of the Independent Auditor's Report and Financial Statements for the year ending December 31, 2023. Audited financial statements must be submitted to the Province each year by May 15.

DISCUSSION

As of December 31, 2023, North Cowichan had accumulated an operating surplus of \$356M, an increase of \$16M from 2022. Accumulated surplus is a key indicator of the resources available to provide future services; however, it is not a cash surplus; it is primarily composed of net investment in Tangible Capital Assets (TCA) of \$361.4M (\$314M – 2022), which includes land, roads, buildings, utility infrastructure and parks and recreation infrastructure.

Accounts receivable increased approximately \$4.5M over 2022, largely due to a timing difference regarding the new utility billing process and grants receivable. Unearned revenue increased \$7.6M over 2022, primarily due to the Growing Communities Fund grant received in 2023. Principal repayments on debt were \$1.9M, and the actuarial adjustment was \$594,727.

Revenues increased \$17.7M from \$64.8M to \$82.5M. This increase can mainly be attributed to grants and government transfers of approximately \$12M (\$3.5M in 2022) and collections from developers and others of \$7.1M (\$3.6 in 2022). Expenses increased by \$6.7M from \$58.1M to \$64.8M and were slightly over budget by approximately \$2.4M; however, half of this increase can be attributed to the accretion expense of the asset retirement obligation, which was not included in the budget.

Capital additions less Work in Progress total \$47.5M for 2023, and roughly \$29M of the capital addition is attributed to the adoption of the Public Accounting Standard 3280 – Asset Retirement Obligation (ARO), which can be referenced in Notes 2 and 11 of the financial statements. When the liability for the ARO is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. Work in Progress is \$48M (\$35.6 in 2022), mainly attributed to the new civic building for the RCMP.

The Joint Utilities Board accumulated surplus as of December 31, 2023, was \$4.1M. This decrease of \$3M from 2022 is attributed to amortization and accretion expense related to the ARO for the sewer lagoons. Accretion is the periodic recognition of an expense associated with an increase in the present value of the ARO liability over time. 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 adopt the 2023 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 North Cowichan is in good standing with the Inspector of Municipalities. This allows North Cowichan to borrow if necessary and apply for various grant funding.

RECOMMENDATION

THAT Council adopt the 2023 Audited Financial Statements of the Municipality of North Cowichan and the Duncan – North Cowichan Joint Utilities Board.

Report prepared by:



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Director, Financial Services

Report reviewed by:



Talitha Soldera
General Manager, Corporate Services

Approved to be forwarded to Council:



George Farkas
Acting Chief Administrative Officer

Attachments:

- (1) Draft 2023 Audited Financial Statements – North Cowichan
- (2) Draft 2023 Audited Financial Statements – Joint Utilities Board
- (3) DNC AR DRAFT