



## REQUEST FOR PROPOSAL

**RFP 2019 – 04**

June 24, 2019

# External Audit Services

City of Duncan, Finance Department  
**Attention: Bernice Crossman, Director of Finance**  
City of Duncan, 200 Craig Street,  
Duncan, BC, V9L 1W3

**Submission Deadline: - July 31, 2019 10:00am**

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## REQUEST FOR PROPOSAL AUDIT SERVICES

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### **DEFINITIONS**

“**CONTRACTOR or CONSULTANT**” means the Proponent whose Proposal has been accepted by the City of Duncan and is awarded a contract by the City of Duncan to carry out the Work.

“**CoD**” means the City of Duncan.

“**JUB**” means the Duncan – North Cowichan Joint Utilities Board

“**PROPONENT**” means the responder to this RFP.

“**PROPOSAL**” means a proposal to carry out the Work submitted by a Proponent in response to this RFP.

“**RFP**” means this Request for Proposal.

“**WORK**” means and includes anything and everything required to be done for fulfillment and completion of the project in accordance with this RFP and proposal.

### **1.0 - INTRODUCTION**

#### **1.1 PURPOSE**

CoD is seeking proposals for the provision of external audit services for our organization for five years. We invite your firm to complete and submit a formal proposal for the City’s external audit engagements.

#### **1.2 BACKGROUND**

CoD is requesting proposals from qualified accounting firms to perform the annual financial audit of the City’s consolidated financial statements for the next five fiscal years – 2019 to 2023 - in accordance with generally accepted auditing standards for the purpose of rendering an opinion as to the fairness of presentation of these statements. The CoD year end is December 31<sup>st</sup>.

The JUB is a government partnership that operates and maintains joint sewer lagoons on behalf of the CoD and the District of North Cowichan. The CoD financial statements are consolidated with the JUB financial statements. The JUB financial statements are prepared by a different accounting firm contracted by the Municipality of North Cowichan, and then consolidated with the CoD financial statements. The most recent audited financial statements for both CoD and JUB are included as Appendix “B” and “C” to this RFP.

### **2.0 - INSTRUCTIONS TO PROPONENTS**

#### **2.1 SUBMISSION OF PROPOSALS**

The Proposal and their envelopes should be clearly marked with the name and address of the Proponent and the RFP program title. The sealed envelope should be addressed to the following:

**Bernice Crossman**  
**Director of Finance**  
**Finance Department, City Hall**  
**200 Craig St**  
**Duncan, BC V9L 1W3**  
**Office No. 250-746-6126**  
**Email: bernice@duncan.ca**

Proposals must be received on or before the **Closing Time** of:

**TIME: 10:00am local time**  
**DATE: July 31, 2019**

Proposals, 3 hard copies, will be accepted until the Closing Time specified. It is the Proponent's sole responsibility to ensure its Proposal is received at the address set out above by the Closing Time. Proposals will not be accepted by email. Proposals can be submitted in person, courier or mail. Please note if submitted by mail the proposal must be received by the City prior to the closing time/date and that **post marks on mailed submissions will not be considered as date/time of receipt.**

Proponents wishing to make changes to their Proposals after submission but prior to the Closing Time may do so by submitting the revisions by fax, email or hard copy. It is the Proponent's sole responsibility to ensure the revisions are received by the CoD prior to the Closing Time.

Proposals received after the Closing Time will not be accepted or considered.

## **2.2 INQUIRIES**

Proponents shall carefully examine the RFP documents and shall fully inform themselves as to the intent, existing conditions and limitations which may affect their Proposal submission. No consideration will be given after submission of a Proposal to any claim that there was any misunderstanding with respect to the conditions imposed.

Proponents finding discrepancies or omissions in the Contract or RFP, or having doubts as to the meaning or intent of any provision, should immediately notify the above listed project contact. If there are any changes, additions, or deletions to the Proposal scope, conditions, or closing date, Proponents will be advised by means of an addendum issued by CoD. All addenda are to become part of the Proposal documents and receipt of addenda should be acknowledged by the Proponent in the submission.

Proponents and their representatives are not permitted to contact any employees, officers, agents, elected or appointed officials or other representatives of the CoD, other than the RFP Contact, concerning matters regarding this RFP. Failure to adhere to this rule may result in the disqualification of the proponent and the rejection of the proponent's proposal.

## **3.0 - GENERAL TERMS OF PROPOSAL PROCESS**

### **3.1 PROPOSAL PREPARATION COSTS**

All expenses incurred by the Proponent in preparation and submission of this Proposal are to be borne by the Proponent, with the express understanding that no claims for reimbursements against CoD will be accepted. CoD shall not be responsible for any costs involved in or associated with any meetings, discussion or negotiation following submission that could lead to acceptance of the Proposal and award of a contract.

### **3.2 PROPOSAL EVALUATION**

CoD recognizes that “Best Value” is the essential part of purchasing a product and/ or service and therefore CoD may prefer a Proposal with a higher price, if it offers greater value and better serves CoD’s interests, as determined by CoD, over a Proposal with a lower price. Appendix “ A” contains the information regarding how Proposals will be evaluated. The evaluation team will not be limited to the criteria listed in Appendix A, and the evaluation team may consider other criteria that the team identifies as relevant during the evaluation process. However, any criteria considered will be applied evenly and fairly to all Proposals.

CoD, at its sole discretion, reserves the right to:

- Reject any or all Proposals whether complete or not;
- Reject any Proposal it considers not in its best interests;
- Waive any minor irregularity or insufficiency in the Proposal submitted;
- Not be liable for misunderstandings or errors in the RFP;
- Issue addenda to the RFP;
- Contact references provided by the Proponents;
- Retain independent persons or contractors for assistance in evaluating Proposals;
- Request points of clarification to assist CoD in evaluating Proposals;
- Negotiate changes with the successful Proponent; and
- Withdraw the RFP.

### **3.3 PROPOSAL PRESENTATION**

CoD reserves the right to request one or more of the Proponents whose submissions are of particular interest to CoD, to make oral presentations to CoD.

### **3.4 PROPOSAL CONFIDENTIALITY AND PROPRIETARY INFORMATION**

All submissions become the property of CoD and will not be returned to the Proponent. CoD will consider all Proposals submitted as confidential but reserves the right to make copies of all Proposals received for its internal review and for review by its financial, accounting, legal, and technical consultants.

Proponents should be aware that CoD is a “public body” as defined in and subject to the provisions of the *Freedom of Information and Protection of Privacy Act*.

If the Proponent believes any of the information requested in this RFP and provided by them is confidential, then they should identify it as such and provide a rationale as to why it should not be released under *Freedom of Information and Protection of Privacy Act*.

The rationale for keeping information confidential under this legislation includes:

- a) Trade secrets of the Proponent;
- b) Financial, commercial, scientific or technical information, the disclosure of which could reasonably be expected to result in material financial loss or gain or could reasonably be expected to prejudice the competitive position of the Proponent; or
- c) Information the disclosure of which could be reasonably expected to interfere with contractual or other negotiations of the Proponent.

### **3.5 CONFLICT OF INTEREST**

A Proponent shall disclose in its Proposal any actual or potential conflicts of interest and existing business relationships it may have with CoD, its elected or appointed officials or employees, any property ownership direct or indirect in the jurisdiction. CoD may rely on such disclosure.

### **3.6 NO COLLUSION**

Except as otherwise specified or as arising by reason of the provision of the contract documents, no person whether natural, or body corporate, other than the Proponent has or will have any interest or share in this Proposal or in the proposed contract which may be completed in respect thereof. There is no collusion or arrangement between the Proponent and any other actual or prospective Proponents in connection with Proposals submitted for this project and the Proponent has no knowledge of the contents of other Proposals and has made no comparison of figures or agreement or arrangement, express or implied, with any other party in connection with the making of the Proposal.

### **3.7 LITIGATION**

Proponents who, either directly or indirectly through another corporation or entity, have been or are in litigation, or who have served notice with intent to proceed with court action against CoD in connection with any contract for works or services, may be considered ineligible Proponents. Receipt of Proposals from such Proponents may be disqualified from the evaluation process.

### **3.8 NO CONTRACT**

This RFP is not a tender and does not commit CoD in any way to select a preferred Proponent. By submitting a Proposal and participating in the process as outlined in this RFP, Proponents expressly agree that no contractual, tort or other legal obligation of any kind is formed under or imposed on CoD by this RFP or submissions prior to the completed execution of a formal written Contract.

### **3.9 ACCEPTANCE OF PROPOSAL**

The acceptance of a Proposal will be made in writing from CoD and will be addressed to the successful Proponent at the address given in the submitted Proposal. Following acceptance and approval to proceed with the Proposal, the Proponent is expected to enter into a contract with CoD to perform the works or services set out and agreed upon in the Proposal.

### 3.10 PROPOSAL CONTENT

Content to be included in the Proposal, but not limited to:

- Firm Profile: Provide the full name, address and telephone number of the firm. Indicate whether the firm is local, regional, national or international in the scope of its practice. Describe the range of activities performed by the firm. Identify the number of staff that are located locally, if applicable.
- Experience: Identify the accounting firm's experience with municipal engagements. List current governmental audit clients and indicate the number of years your firm has been the auditors.
- Project Team: Identify the partners, managers and other key staff who would be assigned to the CoD audit. Provide a description of their qualifications and experience in the accounting field, including municipal audits.
- Audit Plan: Provide a detailed audit plan, which should include the following
  - Identify each component of the audit engagement, the related time schedule and the hours to be dedicated to each component;
  - Describe the approach your firm would take in order to gain an understanding of the City's structure, operations, accounting processes and computer systems;
  - Describe the degree to which CoD staff would be used to assist you during the audit, indicating the approximate time requirements; and
  - Describe your firm's ability to provide constructive suggestions for improving the City's internal accounting controls and administrative procedures.
- Audit Fee: Indicate your firm's audit fee to be charged. The fee should be stated for each of the five fiscal years of the engagement, beginning with the year ending December 31, 2019. Include the proposed schedule of billing dates.
- Additional: Provide any additional comments about your firm's audit approach, which you feel would be informative.

## **4.0 - SCOPE OF WORK AND SCHEDULE**

### **4.1 SERVICES REQUIRED**

The responsibility of the external auditors is to examine the financial statements of the CoD prepared by City staff and to express audit opinions thereon. The audit report for the City will be addressed to the Mayor and Council of the CoD. It must disclose the scope of the examination and state that the audit was performed in accordance with generally accepted auditing standards. The report will also include an opinion as to whether the financial statements present fairly, in all material respects, the financial

position of the City and the results of its operations in accordance with Canadian public sector accounting standards.

#### **4.2 SCHEDULING**

The selected firm must be available to attend a council meeting to present the audited financial statements to Council.

Pre-Audit Meeting	October/November
Interim Audit	December
Year-end Audit	March
Completed Audit Report	April

The audited financial statements must be approved by Council by May 15<sup>th</sup> of each year.

#### **4.3 CLIENT ASSISTANCE PROVIDED TO EXTERNAL AUDITOR**

Finance Department staff will be available to assist the auditors by providing information, working papers and schedules. Finance staff is responsible for the year-end close and financial statement preparation. Supporting documentation will be provided to the auditors on a timely basis. The preparation and processing of all confirmations will be the responsibility of the external auditors.





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## APPENDIX "A"

### REQUEST FOR PROPOSAL EVALUATION CRITERIA

Proposals will be evaluated on the basis of the following criteria:

1. Understanding of Engagement
  - Demonstration of full understanding of the work to be performed.
  - Ability of the firm to provide constructive recommendations to the City as a result of the audit and throughout the year.
2. Experience with municipal audits
  - Firm's municipal auditing experience
  - Firm's local municipal auditing experience
3. Personnel
  - Municipal auditing experience and expertise of audit team proposed
4. Approach to engagement
  - Clear description of audit approach
  - Estimate of number of hours to be devoted to the audit
  - Work plan and schedule
5. Audit fee
  - Proposed fees for each of the five fiscal years

**THE CORPORATION OF THE CITY OF DUNCAN**

**December 31, 2018**

**Consolidated Financial Statements**

**(Audited)**

## STATEMENT OF RESPONSIBILITY

The accompanying Consolidated Financial Statements are the responsibility of the management of the Corporation of the City of Duncan and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of CPA Canada.

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

Council of the City met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

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



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Peter de Verteuil, CPA, CGA  
Chief Administrative Officer

# Independent Auditor's Report

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To the Corporation of City of Duncan:

## Opinion

We have audited the consolidated financial statements of the City of Duncan (the "City"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, accumulated surplus, changes in net financial assets and cash flows and schedule 1, 2, 5, 6, 7 and 8 for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2018, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Matter

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information, including Schedules 1 to 13, has been presented for purposes of additional analysis. The supplementary information in Schedules 1, 2, 5, 6, 7 and 8 has been subjected to the auditing procedures applied in the consolidated financial statements and, in our opinion, this supplementary information is presented fairly, in all material respects, in relation to the consolidated financial statements taken as a whole. We do not express an opinion on Schedules 3, 4, 9, 10, 11, 12 and 13 because our examination did not extend to the detailed information therein.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Duncan, British Columbia

May 6, 2019

*MNP* LLP

Chartered Professional Accountants

# THE CORPORATION OF THE CITY OF DUNCAN

## Consolidated Financial Statements

For the Year Ended December 31, 2018

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**THE CORPORATION OF THE CITY OF DUNCAN  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at December 31, 2018**

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 632,854	\$ 939,738
Accounts receivable (Note 4)	1,189,544	1,244,304
Portfolio investments (Note 3)	14,157,255	13,687,432
Deposit - Municipal Finance Authority (Note 5)	26,816	26,246
Loan receivable (Note 6)	109,414	122,825
	<u>16,115,883</u>	<u>16,020,545</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	707,755	1,015,087
Sick and severance liabilities (Note 13(b))	467,694	428,789
Refundable deposits (Note 8)	142,646	99,447
Deferred revenue (Note 9)	2,000,943	1,831,673
Restricted revenue (Note 10)	2,061,670	1,996,382
Debenture debt (Note 11)	909,552	1,031,319
	<u>6,290,260</u>	<u>6,402,697</u>
<b>NET FINANCIAL ASSETS</b>	<u><b>9,825,623</b></u>	<u>9,617,848</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 6)	31,707,907	29,907,842
Inventories of supplies	133,400	131,223
Prepaid expenses	32,599	16,937
	<u>31,873,906</u>	<u>30,056,002</u>
<b>ACCUMULATED SURPLUS (Schedule 2)</b>	<u><b>\$ 41,699,529</b></u>	<u>\$ 39,673,850</u>

**COMMITMENTS AND CONTINGENCIES (Note 12)**

*Grossman*

Director of Finance

See accompanying notes to the consolidated financial statements

**THE CORPORATION OF THE CITY OF DUNCAN  
CONSOLIDATED STATEMENT OF OPERATIONS  
Year Ended December 31, 2018**

	2018 Budget (Note 14)	2018 Actual	2017 Actual
<b>REVENUE (Schedule 5)</b>			
Taxation and grants in lieu of taxes	\$ 4,153,532	\$ 4,099,466	\$ 3,960,997
Sale of services	3,925,226	4,222,218	3,991,177
Licenses, permits, penalties and fines	669,630	597,124	554,573
Return on investments	73,000	232,038	206,573
Grants	48,500	10,200	8,181
Government transfers	566,650	584,345	616,738
Funds contributed from other governments	13,858	13,872	51,084
Gas Tax funds utilized	628,750	202,796	74,115
Capital contributions from developers	-	141,901	330,029
Gain(Loss) on disposal of assets	150,000	(12,880)	(100,470)
Assets contributed by developers	-	92,862	228,460
Increase (decrease) in proportionate share of Joint Utilities Board assets	-	(58,645)	8,309
Total revenue	<u>10,229,146</u>	<u>10,125,297</u>	<u>9,929,766</u>
<b>EXPENSES (Schedule 5)</b>			
General government services	1,271,359	1,256,946	1,935,573
Protective services	747,262	752,184	766,282
Public works & engineering	1,712,823	1,654,207	1,772,584
Environmental health services	276,916	264,866	276,655
Environmental development services	195,050	178,670	305,158
Recreation and cultural services	1,049,761	1,097,460	1,058,829
Water services	1,369,607	1,749,424	1,652,616
Sewer services	1,173,340	1,145,861	655,681
Total expenses (Note 16)	<u>7,796,118</u>	<u>8,099,618</u>	<u>8,423,378</u>
<b>ANNUAL SURPLUS</b>	<u>2,433,028</u>	<u>2,025,679</u>	<u>1,506,388</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>39,673,850</u>	<u>39,673,850</u>	<u>38,167,462</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 42,106,878</u>	<u>\$ 41,699,529</u>	<u>\$ 39,673,850</u>

See accompanying notes to the consolidated financial statements



**THE CORPORATION OF THE CITY OF DUNCAN**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**Year Ended December 31, 2018**

	2018 Budget (Note 14)	2018 Actual	2017 Actual
<b>ANNUAL SURPLUS</b>	\$ 2,433,028	\$ 2,025,679	\$ 1,506,388
Purchase of tangible capital assets	(6,682,422)	(3,266,110)	(2,950,396)
Tangible capital assets acquired in kind	-	(92,862)	(228,460)
Amortization of tangible capital assets	1,574,070	1,500,078	1,412,292
Decrease (increase) in proportionate share of Joint Utilities Board tangible capital assets	-	25,449	(5,193)
Loss on disposal of tangible capital assets	-	12,880	100,470
Proceeds of sale of tangible capital assets	-	20,500	13,804
Increase in inventory of supplies	-	(2,177)	(10,744)
Decrease (increase) in prepaid expenses	-	(15,662)	280,856
	<u>(5,108,352)</u>	<u>(1,817,904)</u>	<u>(1,387,371)</u>
<b>CHANGE IN NET FINANCIAL ASSETS</b>	(2,675,324)	207,775	119,017
<b>NET FINANCIAL ASSETS, Beginning of Year</b>	<u>9,617,848</u>	<u>9,617,848</u>	<u>9,498,831</u>
<b>NET FINANCIAL ASSETS, End of Year</b>	<u>\$ 6,942,524</u>	<u>\$ 9,825,623</u>	<u>\$ 9,617,848</u>

See accompanying notes to the consolidated financial statements

**THE CORPORATION OF THE CITY OF DUNCAN  
CONSOLIDATED STATEMENT OF CASH FLOWS  
Year Ended December 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 2,025,679	\$ 1,506,388
Non-cash items included in annual surplus:		
Amortization	1,500,078	1,412,292
Tangible capital assets acquired in-kind	(92,862)	(228,460)
Increase (decrease) in proportionate share of		
Joint Utilities Board tangible capital assets	25,449	(5,193)
Actuarial adjustment on debenture debt	(35,430)	(30,601)
Loss on disposal/write down of tangible capital assets	12,880	100,470
	<u>3,435,794</u>	<u>2,754,896</u>
Changes in non-cash items:		
Accounts receivable	54,760	(75,756)
Deposit - Municipal Finance Authority	(570)	3,209
Loan receivable	13,411	13,741
Inventory of supplies	(2,177)	(10,744)
Prepaid expenses	(15,662)	280,856
Accounts payable and accrued liabilities	(307,332)	(498,778)
Sick and severance liability	38,905	24,777
Refundable deposits	43,199	77,075
Deferred revenue	169,270	1,038,375
Restricted revenue	65,288	52,294
	<u>3,494,886</u>	<u>3,659,945</u>
<b>CASH PROVIDED BY OPERATING TRANSACTIONS</b>		
Proceeds on disposal of tangible capital assets	20,500	13,804
Purchases of tangible capital assets	(3,266,110)	(2,950,396)
	<u>(3,245,610)</u>	<u>(2,936,592)</u>
<b>CASH APPLIED TO CAPITAL TRANSACTIONS</b>		
<b>INVESTING TRANSACTIONS</b>		
Net increase in portfolio investments	(469,823)	(36,327)
	<u>(469,823)</u>	<u>(36,327)</u>
<b>FINANCING TRANSACTIONS</b>		
Principal repaid - long term debt	(86,337)	(86,338)
	<u>(86,337)</u>	<u>(86,338)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(306,884)	600,688
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	939,738	339,050
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 632,854</u>	<u>\$ 939,738</u>

See accompanying notes to the consolidated financial statements

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

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**1. General**

The Corporation of the City of Duncan ("the City") is incorporated under the provisions of the British Columbia *Local Government Act*. Its principal activities are the provision of local government services to the City, as governed by the *Community Charter* and the *Local Government Act*.

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards as recommended by the Public Sector Accounting Board (PSAB) of CPA Canada. The notes to the consolidated financial statements are an integral part of these statements. They provide detailed information and explain the significant accounting and reporting policies and principles that form the basis for these statements. They also provide relevant supplementary information and explanations which cannot be conveniently expressed in the consolidated financial statements.

**2. Significant Accounting Policies**

**a) Basis of Accounting**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes the effect of transactions and events in the period in which they occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Liabilities are recognized until the obligation or condition(s) underlying the liability is partly or wholly satisfied. Assets are recognized until the future economic benefit underlying the asset is partly or wholly used or lost. Revenue recognition policy is described in Note 2(i). Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay. Budget information has been aggregated to comply with these reporting standards.

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and changes in fund balances and financial position of the City. These financial statements consolidate the following operations:

*General Revenue Fund*  
*General Capital Fund*  
*Reserve Funds*

*Waterworks Utility Revenue Fund*  
*Waterworks Utility Capital Fund*  
*Sewer Utility Revenue Fund*  
*Sewer Utility Capital Fund*

**b) Reporting Entity**

The City has a partnership agreement with the Municipality of North Cowichan for the operation of the Joint Utilities Board, and as such, consistent with Canadian public sector accounting standards for government partnerships, the Joint Utilities Board is accounted for on a proportionate consolidation basis whereby the City's pro-rata share of the assets, liabilities, revenues and expenses are combined on a line by line basis in the consolidated financial statements. Inter-partnership balances and transactions have been eliminated. The City's proportionate share of the Duncan-North Cowichan Joint Utilities Board fluctuates based on current capacity units being used which is 31.13% for 2018 (2017 - 31.95%).

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

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**2. Significant Accounting Policies (continued)**

**c) Cash and Cash Equivalents**

Cash equivalents include short-term highly liquid investments that are cashable on demand or have a term to maturity of 90 days or less at acquisition. Cash equivalents also include investment in the Municipal Finance Authority (MFA) of British Columbia Money Market Funds, which are recorded and cost plus earning reinvested in the funds.

**d) Portfolio Investments**

Portfolio investments are long-term investments, with an original maturity date of more than a year. The carrying values of portfolio investments is based on the cost method whereby the cost of the investment is adjusted to reflect investment income, which is accruing. Declines in the market values of investments are considered to be other than temporary when the carrying value exceeds market value for more than three years.

**e) Loans and Receivables**

The allowance for doubtful receivables represents the City's estimates of incurred losses arising from the failure or inability of customers to make payments when due. These estimates are based on the ageing of customer balances, specific credit circumstances and the City's historical bad debt experience. Additions to the allowance for doubtful accounts are made by recording charges to bad debt expense reported in operations. Receivables are charged to the allowance for doubtful accounts when an account is deemed to be uncollectible.

**f) Inventory**

Inventory is recorded at the lower of cost and net realizable value, determined on an average cost basis.

**g) 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.

**h) Tangible Capital Assets**

Tangible capital assets are recorded at cost which 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 is not available have been recorded at current fair market values 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 City does not capitalize interest charges as part of the cost of its tangible capital assets. The cost, less residual value, of tangible capital assets (excluding land) is amortized on a straight-line basis over the estimated useful life of the asset, commencing in the year that the asset is put into service. In the year that the asset is put into service, amortization is claimed for a proportionate number of in-service months. Assets under construction are not amortized until the asset is available for productive use. Estimated useful lives are as follows:

**THE CORPORATION OF THE CITY OF DUNCAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
As at December 31, 2018**

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**2. Significant Accounting Policies (continued)**

**General Tangible Capital Assets**

Land	Indefinite
Land Improvements	10 to 50 years
Buildings and Leasehold Improvements	
Buildings	15 to 50 years
Leasehold improvements	Life of lease
Vehicles and Equipment	
Vehicles	10 to 20 years
Machinery, equipment and furniture	5 to 15 years
Maintenance and road construction equipment	15 years
Computer Hardware and Software	5 years

**Infrastructure Assets**

Land	Indefinite
Road surface	10 to 20 years
Road grade	60 years
Sidewalk grade	60 years
Sidewalk surface	20 to 30 years
Bridges	50 years
Traffic lights and equipment	30 years
Water and Sewer	
Underground networks	40 to 80 years
Dams and other surface water structures	50 to 60 years

Repairs and maintenance costs are expensed. Betterments which extend the estimated useful life of the asset or enhance the service potential of the asset are capitalized.

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

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**2. Significant Accounting Policies (continued)**

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. The City's Totem collection has been recorded as a capital asset due to its integral relationship to the economic and tourism strategy and identity of the City. The Totem collection has been recorded at cost. Intangibles and crown lands that have not been purchased by the City, such as forests, water and other natural resources are not recognized as tangible capital assets.

**i) Revenue Recognition**

Tax revenues are recognized in the year that they are levied. Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Sewer and water fees are recognized when the service has been received by the customer. Interest revenue is recognized as earned. Other sales of service and other revenue from own sources are recognized when the service is provided or the amount is earned and when the amount can be estimated and when collection is reasonably assured.

Externally restricted grant and other operating revenues received from other organizations in advance of specified future expenses are deferred until they are earned by being matched against those expenses.

Development Cost Charges are imposed for the sole purpose of providing funds for the City to pay the capital cost of providing, altering, or expanding sewage, water, drainage and highway facilities and for acquiring park land, in order to serve directly or indirectly, the development in respect of which the charges are imposed. Development revenues and other levies which are restricted by the legislation of senior governments or by agreement with external parties for specified future expenses are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. These revenues are comprised of the amounts shown in Notes 9 and 10.

**j) Financial Instruments**

The City's financial instruments consist of cash and cash equivalents, portfolio investments, accounts receivable, loans receivable, accounts payable and accrued liabilities, refundable deposits and debenture debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, credit or currency risks arising from these financial instruments.

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

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**2. Significant Accounting Policies (continued)**

**k) Use of Estimates**

Preparation of financial statements in accordance with Canadian public sector accounting standards 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 revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to the useful lives of tangible capital assets, valuation of contributed tangible capital assets, determination of accrued sick benefits, collectability of accounts receivable, accrued liabilities and contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement. These estimates and assumptions are periodically reviewed and any adjustments necessary are reported in operations in the period in which they become known. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the City is responsible for.

**l) Liability for Contaminated Sites**

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when: contamination exceeding an environmental standard exists, the City is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2018.

At each financial reporting date, the City reviews the carrying amount of the liability. Any revisions required to the amount previously recognized are accounted for in the period revisions are made. The City continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

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**2. Significant Accounting Policies (continued)**

**m) Adoption of Accounting Policies**

PS 3420 Related Party Disclosures and Inter-Entity Transactions

Effective January 1, 2018, the City adopted the recommendations relating to PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

PS 3210 Assets and PS 3320 Contingent Assets

Effective January 1, 2018, the City adopted the recommendations relating to PS 3210 Assets and PS 3320 Contingent Assets as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 Assets provides additional guidance to clarify the definition of assets set out in PS 1000 Financial Statement Concepts. PS 3320 Contingent Assets establishes disclosure standards on contingent assets.

PS 3380 Contractual Rights

Effective January 1, 2018, the City adopted the recommendations relating to PS 3380 Contractual Rights, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.

Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the financial statements of adopting the new Sections.



**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

**3. Cash, Cash Equivalents and Portfolio Investments**

Cash and cash equivalents are comprised of the following:

	<u>2018</u>	<u>2017</u>
Bank Deposits	\$ 629,630	\$ 936,026
Municipal Finance Authority - Money Market Fund	<u>3,224</u>	<u>3,712</u>
	<u>\$ 632,854</u>	<u>\$ 939,738</u>

Portfolio investments include funds invested in guaranteed investment certificates with the Bank of Nova Scotia as well as with the Island Savings Credit Union, and investments held by the Joint Utilities Board. The investments are carried at market value which approximates cost. The Guaranteed Investment Certificates and term deposits mature at various dates between January 8, 2019 and June 22, 2020. Interest rates vary from 1.90% to 2.70% (2017 – 1.40% to 2.1%).

Included in portfolio investments are funds held for deferred and restricted revenues totalling \$4,062,613 (2017 - \$3,828,055) and funds held for statutory reserve funds and reserve accounts totaling \$7,086,834 (2017 - \$6,847,293). Details of these balances can be found on Schedule 8.

**4. Accounts Receivable**

	<u>2018</u>	<u>2017</u>
Property taxes	\$ 191,995	\$ 617,511
Water and sewer fees	820,336	686,353
Provincial government	5,699	18,226
Federal government	82,127	128,855
Other municipalities and regional governments	54,003	74,294
Other receivables	<u>35,484</u>	<u>34,963</u>
	1,189,644	1,560,202
Less: allowance for doubtful receivables	<u>(100)</u>	<u>(315,898)</u>
	<u>\$ 1,189,544</u>	<u>\$ 1,244,304</u>

**5. Municipal Finance Authority - Reserve Deposits**

The City issues debt instruments through the Municipal Finance Authority (MFA). As a condition of these borrowings, a portion of the debenture proceeds are withheld by the MFA as a debt reserve fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. The details of the cash deposits and demand notes at year end are as follows:

	<u>2018</u>	<u>2017</u>
Cash deposits	<u>\$ 26,816</u>	<u>\$ 26,246</u>

The demand note will only be recorded as an asset and liability if a local government, under the joint and several agreement of the regional district, defaults on their loan obligation. Upon this action of default, the MFA may call the outstanding demand notes of the deficient regional district at which point the demand notes then become both an asset and a liability of the associated members. Once the defaulting local government repays in full the defaulted position, the MFA will refund all called demand notes.

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

**6. Loan Receivable**

Pursuant to the 2014 Fire Suppression agreement between the City and Cowichan Tribes, the latter is responsible for its share of the costs of the 2015 Fire Hall upgrade project. The City has agreed to finance the balance due over 10 years, with interest at 2.46% and payments to be made annually, commencing in 2016. There are no terms of forgiveness or other conditions attached to the loan.

	<u>2018</u>	<u>2017</u>
Other municipalities and regional governments	<u>\$ 109,414</u>	<u>\$ 122,825</u>

**7. Accounts Payable and Accrued Liabilities**

	<u>2018</u>	<u>2017</u>
Trade accounts and accrued liabilities	\$ 436,193	\$ 582,044
Contractor holdbacks	56,775	94,388
Salaries and wages	75,128	130,936
Other municipalities and regional governments	<u>139,659</u>	<u>207,719</u>
	<u>\$ 707,755</u>	<u>\$ 1,015,087</u>

**8. Refundable Deposits**

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 99,447	\$ 22,372
Deposits received	111,376	98,396
Deposits and interest refunded	(68,860)	(21,572)
Increase in interest payable	<u>683</u>	<u>251</u>
Balance, end of the year	<u>\$ 142,646</u>	<u>\$ 99,447</u>

**9. Deferred Revenue**

	<u>2017</u>	Receipts & Interest	Recognized as Revenue	<u>2018</u>
Federal Gas Tax agreement funds	\$ 404,214	282,854	(202,796)	\$ 484,272
Prepaid property taxes	469,496	521,983	(469,496)	521,983
Other revenue prepaid	918,237	358,782	(282,331)	994,688
Other grants	<u>39,726</u>	<u>-</u>	<u>(39,726)</u>	<u>-</u>
	<u>\$ 1,831,673</u>	<u>\$ 1,163,619</u>	<u>\$ (994,349)</u>	<u>\$ 2,000,943</u>

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

**9. Deferred Revenue (continued)**

**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 City and the Union of British Columbia Municipalities. Gas Tax funding may be used towards designated projects, as specified in the funding agreement. These amounts are recognized as revenue in the period in which the corresponding expenditures are incurred.

*Federal Gas Tax Continuity:*

	<u>2018</u>	<u>2017</u>
Opening balance of unspent funds	\$ 404,214	\$ 209,470
Less: Gas Tax Funds utilized	(202,796)	(74,117)
Add: amount received during the year	273,050	263,446
Add: interest earned during the year	9,804	5,415
	<u>484,272</u>	<u>404,214</u>
Closing balance of unspent funds	<u>\$ 484,272</u>	<u>\$ 404,214</u>

**10. Restricted Revenue**

Receipts that are restricted by the legislation of senior governments are initially deferred and reported as liabilities. Included in liabilities is the Development Cost Charges Reserve, the use of which, together with any earnings thereon, is restricted by legislation. These amounts are recognized as revenue in the period in which corresponding expenditures are incurred.

*Development Cost Charges:*

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 1,996,382	\$ 1,944,088
Contributions from developers	23,695	14,211
Return on investments	41,593	38,083
	<u>2,061,670</u>	<u>1,996,382</u>
Balance, end of the year	<u>\$ 2,061,670</u>	<u>\$ 1,996,382</u>

**11. Debenture Debt**

	<u>2018</u>	<u>2017</u>
<b>General Fund:</b>		
Debenture debt for the 2008 Cowichan Aquatic Centre, interest at 3.25%, maturing 2026 - MFA Issue #117	\$ 878,048	\$ 969,675
<b>Sewer Utility Fund:</b>		
Debenture debt for 1999 Lagoon Improvements, interest at 2.1%, maturing 2019 - MFA Issue #70	31,504	61,644
	<u>909,552</u>	<u>1,031,319</u>

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

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**11. Debenture Debt (continued)**

Principal payments in the next five years are as follows:

2019	\$	86,338
2020		72,415
2021		72,415
2022		72,415
2023		72,415
Thereafter		<u>533,554</u>
	<u>\$</u>	<u>909,552</u>

Interest expense includes \$55,945 (2017 - \$55,945) with respect to these obligations.

**12. Commitments and Contingencies**

**a) Commitment**

The Cowichan Aquatic Centre is jointly owned by the City of Duncan and the Municipality of North Cowichan. Per an operating agreement, the City contributes towards the ongoing operations of the Centre. This agreement commits the City to contribute to the costs of the Centre based on the City's proportionate share of property tax assessments.

**b) Contingent Liabilities**

The Cowichan Valley Regional District debt is, under the provisions of the *Local Government Act*, a direct, joint and several liability of the Regional District and each member municipality within the Regional District, including the Corporation of the City of Duncan. The loan agreements with the Cowichan Valley Regional District and the Municipal Finance Authority provide that if any time the scheduled payments provided for in the agreements are not sufficient to meet the Authority's obligations in respect to such borrowings, the resulting deficiency becomes a liability of the City.

As of December 31, 2018 there are 16 claims against the City. In the opinion of management and legal counsel, the outcome of the claims, now pending, is not determinable. As the outcome is not determinable at this time, no amount has been accrued in the financial statements. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

**c) Reciprocal Insurance Exchange Agreement**

The City is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by Section 3.02 of the *Insurance Act* of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact on any subscriber. Under the Reciprocal Insurance Exchange Agreement the City is assessed a premium and specific deductible for its claims based on population. The obligation of the City with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several, and not joint and several.

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

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**13. Retirement Benefits**

**a) Pension Liability**

The City of Duncan 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, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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 contribution rate is based on the 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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement \$1.927 billion was transferred to the rate stabilization account of \$297 million of the surplus ensured the required contribution rates remain unchanged.

The City paid \$189,676 (2017 - \$196,400) for employer contributions to the plan in fiscal 2018 while employees contributed \$170,754 (2017 - \$178,710) to the plan in fiscal 2018.

The next valuation will be as at December 31, 2018, with results available in 2019.

Employers participating in the plan record their pension expenses 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.

**b) Sick Leave and Severance Liability**

The City provides compensated absences and pays out sick time on retirement to a maximum of six months pay. The City also provides severance pay on retirement or disability at the rate of one or one half or two days per total years of continuous service. The estimated sick leave and severance liability has been calculated by management under the following actuarial assumptions:

- annual inflation rate is 2.0% (2017 - 2.0%)
- discount rate is 3.5% (2017 - 3.5%)
- the probability of staff remaining for the required vesting period of 20 years is 100%

Based on these assumptions, sick leave and severance benefits accrued at December 31, 2018 is \$467,694 (2017 - \$428,789).

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

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**14. Budget Figures**

Budget figures represent the Financial Plan Bylaw No. 3177 adopted by Council on May 14, 2018. The financial plan anticipated the use of surpluses accumulated in previous years to balance against current year expenses in excess of current year revenues. The following schedule reconciles the consolidated surplus as presented in the Financial Plan approved by Council to the consolidated surplus as shown on the consolidated Statement of Operations.

Financial Plan Bylaw surplus for the year	\$	-
Add back:		
Principal debt repayments		86,338
Transfers to reserves		1,233,280
Capital expenditures		6,682,422
Less:		
Budgeted transfers from accumulated surplus		
General		(44,857)
Sewer		(46,000)
Water		(1,815,385)
Capital		-
Budgeted transfers from own reserves		
General		(119,538)
Sewer		(448,363)
Water		-
Capital		(1,520,799)
Amortization		(1,574,070)
Adjusted Annual Surplus	<u>\$</u>	<u>2,433,028</u>

**15. Segmented Information**

The City is a diversified local government institution that provides a wide range of services to its citizens, including the provision of water, sewer, drainage, fire protection, garbage collection, recreation and parkland. Distinguishable functional segments are separately disclosed in the body of the consolidated financial statements. The segments are categorized as follows:

**General Government**

General government operations provide the functions of corporate administration, finance, human resources, legislative services, building services and maintenance, and other functions not categorized to a specific department. It includes general revenues and transfers not allocated to a specific function.

**Protective Services**

Protective services is comprised of fire and rescue services, bylaw enforcement, animal control, and building inspection services. The Duncan Volunteer Fire Department provides fire suppression services, fire prevention programs and detection and extinguishment of fires. Bylaw enforcement administers, monitors and seeks compliance with the bylaws enacted by Mayor and Council to regulate the conduct of affairs in the City. The building inspection segment provides enforcement of municipal bylaws and the Provincial Building Code and regulations.

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at December 31, 2018**

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**15. Segmented Information (continued)**

**Public Works & Engineering**

The City's Public Works department is responsible for general roadway maintenance and upgrades, street lighting, sidewalks and other general duties. The department ensures that transportation infrastructure is safe and well maintained.

**Environmental Health Services**

The environmental health function includes garbage, organics, yard waste and recycling collection and the operations of public washrooms in City parks. The expenditures of the City's Environment Committee are also included in this segment.

**Environmental Development Services**

Development services provides planning assistance to guide property owners in complying with the City's zoning bylaws, Official Community Plan and development procedures for subdividing lands and providing the necessary infrastructure to support these developments.

**Recreation and Cultural Services**

The recreation and culture function contributes to the quality of life in the community through the provision of a variety of programs, services and facilities. These include an extensive network of parks, the Cowichan Aquatic Centre, Seniors' Centre and the Cowichan Valley Museum.

**Water Services**

The City's Public Works department is responsible for environmental programs including the engineering and operation of the potable water system to obtain, treat and deliver water. The City's water system services approximately 15,000 people, extending into portions of the Municipality of North Cowichan, the Cowichan Valley Regional District Electoral Areas D and E and Cowichan Tribes territory. Water services are a self-funding utility.

**Sewer Services**

The City's Public Works department is responsible for environmental programs including the engineering and operation of the sewer and waste water collection system, treatment and disposal. The City collects sewer and waste water for treatment at the Joint Utilities Board (JUB) lagoons. Sewer services are a self-funding utility.

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**16. Operating Expenses By Object**

	<u>2018</u>	<u>2017</u>
Amortization	\$ 1,500,078	\$ 1,412,292
Capital fund expenses	615,675	1,170,238
Contract services	976,276	666,176
Fuel	74,468	63,457
Goods and services	1,045,578	1,076,758
Grants in aid	87,404	97,138
Hydro	389,673	368,837
Insurance	111,274	128,738
Interest	57,934	56,828
Leases	1,970	1,928
Professional fees	85,326	119,358
Travel, conference and training	90,723	98,009
Wages and benefits	3,107,214	3,168,186
Write down of account receivable to net realizable value	(8,545)	26,036
Actuarial adjustment to debt	(35,430)	(30,601)
	<u>\$ 8,099,618</u>	<u>\$ 8,423,378</u>

**17. Environmental Regulations**

The City is subject to environmental regulations which apply to a number of its operations. These regulations may require future expenditures to meet applicable standards and subject the City to possible penalties for violations. Amounts required to meet these obligations will be charged to operations when incurred and/or when they can be reasonably estimated.

**18. Comparative Figures**

Certain comparative figures have been reclassified to conform to current year presentation.



THE CORPORATION OF THE CITY OF DUNCAN  
NON-CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
(Excluding Joint Utilities Board Financial Information)  
Year Ended December 31, 2018

SCHEDULE 1  
Audited

	General Capital Assets				Infrastructure				Totals		
	Land	Land Improvements and Parks	Buildings and Leasehold Improvements	Vehicles and Equipment	Storm Water Engineering Structures	Roads & Sidewalks	Water	Sewer	Assets Under Construction	2018	2017
<b>Cost</b>											
Opening costs	\$ 1,805,780	\$ 4,113,519	\$ 8,095,747	\$ 5,265,496	\$ 3,749,605	\$ 14,717,381	\$ 14,551,687	\$ 3,362,028	\$ 131,757	\$ 55,793,000	\$ 53,476,367
Additions during the year	181,000		40,037	1,030,143	2,946	232,749	1,209,065	3,932	659,100	3,358,972	2,891,636
Disposals and write-downs				(148,233)		(3,727)	(9,186)			(161,147)	(575,003)
Capitalization of assets under construction										-	-
Closing cost	1,986,780	4,113,519	8,135,784	6,147,406	3,752,551	14,946,403	15,751,566	3,365,960	790,857	58,990,825	55,793,000
<b>Accumulated Amortization</b>											
Opening accumulated amortization	-	1,672,093	3,418,328	3,354,030	1,771,245	9,784,696	5,069,300	1,807,056	-	26,876,748	25,942,135
<b>Amortization:</b>											
General government			31,607	77,444	16	716				109,783	102,212
Protective services			37,326	116,681						154,007	138,367
Public works and engineering		17,546	13,314	76,157	63,611	373,960				544,588	519,444
Environmental health				24,649						24,649	24,649
Recreation and culture		174,375	77,595	8,909		7,675				268,554	270,483
Water		677	47,552	9,809			263,832			321,870	-
Sewer								48,657		48,657	340,186
Total amortization	-	192,598	207,394	313,649	63,627	382,351	263,832	48,657	-	1,472,108	1,395,341
Disposals and write-downs				(114,853)		(3,727)	(9,186)			(127,766)	(460,728)
Closing accumulated amortization	-	1,864,691	3,625,722	3,552,826	1,834,872	10,163,320	5,323,946	1,855,713	-	28,221,090	26,876,748
Net Book Value of Tangible Capital Assets	\$ 1,986,780	\$ 2,248,828	\$ 4,510,062	\$ 2,594,580	\$ 1,917,679	\$ 4,783,083	\$ 10,427,620	\$ 1,510,247	\$ 790,857	\$ 30,769,736	\$ 28,916,252

Contributed Assets

Water	\$ 62,137	\$ 228,460
Roads & Sidewalks	\$ 30,725	
	\$ 92,862	\$ 228,460

**THE CORPORATION OF THE CITY OF DUNCAN  
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS  
Year Ended December 31, 2018**

**SCHEDULE 2  
Audited**

	<u>2018</u>	<u>2017</u>
<b>OPERATING FUNDS</b>		
<b>Unappropriated</b>		
General	\$ 566,500	\$ 251,984
Waterworks utility	1,275,909	1,977,719
Sewer utility	1,466,541	1,247,342
<b>Total Unappropriated</b>	<u>3,308,950</u>	<u>3,477,045</u>
<b>Appropriated</b>		
Sewer utility: Joint Utilities Board Reserve	505,390	472,989
<b>Total Appropriated</b>	<u>505,390</u>	<u>472,989</u>
<b>Total Operating Funds</b>	<u>3,814,340</u>	<u>3,950,034</u>
<b>NET INVESTMENT IN TANGIBLE CAPITAL ASSETS</b>		
Net book value tangible capital assets (Schedule 6)	31,707,907	29,907,842
Less: Long term debt	(909,552)	(1,031,319)
<b>Total Net Investment in Tangible Capital Assets</b>	<u>30,798,355</u>	<u>28,876,523</u>
<b>RESERVE FUNDS</b>		
Sale of real property	226,281	230,288
Underground utilities	27,696	
Parking improvement	237,619	307,233
Parking improvement - Restricted	122,728	120,234
Municipal Finance Authority debt issue refunds	25,311	24,797
Operating reserves	367,842	325,892
Machinery and equipment	1,695,322	2,203,374
Capital works and other miscellaneous reserves	262,892	216,581
General capital	7,340	7,190
Police bridging capital	2,400,941	1,705,897
Downtown revitalization	18,344	17,971
Melba Schappert bequest	19,298	28,909
Pioneer Park	1,431	1,401
Public art	10,170	9,963
Waterworks utility	941,964	809,296
Sewer utility	721,655	838,267
<b>Total Reserve Funds</b>	<u>7,086,834</u>	<u>6,847,293</u>
<b>Total Accumulated Surplus</b>	<u>\$ 41,699,529</u>	<u>\$ 39,673,850</u>

**THE CORPORATION OF THE CITY OF DUNCAN  
NON-CONSOLIDATED SCHEDULE OF REVENUES  
(Excluding Joint Utilities Board Financial Information)  
Year Ended December 31, 2018**

**SCHEDULE 3  
Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>Taxation and Grants in Lieu of Taxes</b>			
Property taxes - general	\$ 3,990,967	<b>\$ 3,936,682</b>	\$ 3,799,114
Special assessments			
Business Improvement Area (BIA)	205,000	<b>205,000</b>	195,000
Vancouver Island Regional Library (VIRL)	227,723	<b>227,724</b>	217,172
Utilities	105,765	<b>105,501</b>	105,129
Frontage and parcel taxes	43,900	<b>44,640</b>	43,860
	<u>582,388</u>	<u><b>582,865</b></u>	<u>561,161</u>
	<u>4,573,355</u>	<u><b>4,519,547</b></u>	<u>4,360,275</u>
<b>Grants in Lieu of Taxation:</b>			
Federal government	<u>12,900</u>	<u><b>12,643</b></u>	<u>12,894</u>
<b>Collection for Other Governments</b>			
School authorities levy	1,788,360	<b>1,861,216</b>	1,788,360
Provincial policing levy	283,880	<b>306,319</b>	280,335
Cowichan Valley Regional District levy	1,502,904	<b>1,529,620</b>	1,459,130
Regional Hospital District levy	500,934	<b>532,703</b>	486,344
	<u>4,076,078</u>	<u><b>4,229,858</b></u>	<u>4,014,169</u>
Joint boards and commissions:			
Municipal Finance Authority levy	180	<b>207</b>	179
British Columbia Assessment Authority levy	52,000	<b>48,057</b>	45,479
	<u>52,180</u>	<u><b>48,264</b></u>	<u>45,658</u>
Less: Transfers to other governments and others	<u>(4,128,258)</u>	<u><b>(4,278,122)</b></u>	<u>(4,059,827)</u>
Less: Transfers to BIA	<u>(205,000)</u>	<u><b>(205,000)</b></u>	<u>(195,000)</u>
Less: Transfers to VIRL	<u>(227,723)</u>	<u><b>(227,724)</b></u>	<u>(217,172)</u>
<b>Total Taxation and Grants in Lieu of Taxes</b>	<u>4,153,532</u>	<u><b>4,099,466</b></u>	<u>3,960,997</u>

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NON-CONSOLIDATED SCHEDULE OF REVENUES**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 3**  
**Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>Sale of Services</b>			
<b>General Revenue Fund</b>			
Garbage and recycling fees	212,682	<b>216,444</b>	214,333
Cowichan Tribes fire protection	111,938	<b>114,836</b>	111,350
CVRD - Eagle Heights fire protection	185,378	<b>185,979</b>	192,881
Other - fire protection	500	<b>2,200</b>	98,281
Administration recoveries	11,300	<b>12,622</b>	12,251
Public Works miscellaneous recoveries	7,500	<b>16,496</b>	10,324
Cowichan Tribes roads contribution	400	<b>383</b>	392
Sports field user fees	12,000	<b>9,321</b>	10,298
	<u>541,698</u>	<u><b>558,281</b></u>	<u>650,110</u>
<b>Waterworks Utility Revenue Fund</b>			
Sale of water	2,202,929	<b>2,346,765</b>	2,149,452
Service charges	20,000	<b>22,125</b>	20,801
Water studies	1,200	<b>4,904</b>	1,800
	<u>2,224,129</u>	<u><b>2,373,794</b></u>	<u>2,172,053</u>
<b>Sewer Utility Revenue Fund</b>			
Sewer fees	1,159,299	<b>1,185,923</b>	1,083,119
Service charges	100	<b>25</b>	15
	<u>1,159,399</u>	<u><b>1,185,948</b></u>	<u>1,083,134</u>
<b>Capital Connection Fees</b>			
General Capital	-	<b>5,832</b>	33,970
Water Capital	-	<b>94,431</b>	46,964
Sewer Capital	-	<b>3,932</b>	4,946
	<u>-</u>	<u><b>104,195</b></u>	<u>85,880</u>
<b>Total Sale of Services</b>	<u><u>3,925,226</u></u>	<u><u><b>4,222,218</b></u></u>	<u><u>3,991,177</u></u>

**THE CORPORATION OF THE CITY OF DUNCAN  
NON-CONSOLIDATED SCHEDULE OF REVENUES  
(Excluding Joint Utilities Board Financial Information)  
Year Ended December 31, 2018**

**SCHEDULE 3  
Unaudited**

	2018 Budget	<b>2018 Actual</b>	2017 Actual
<b>Licences, Permits, Rentals and Penalties</b>			
Trade licences	78,000	<b>81,760</b>	79,560
Delivery vehicle licences	1,300	<b>1,639</b>	1,198
Building permits and other fees	34,550	<b>28,363</b>	31,584
Dog licences	7,000	<b>8,270</b>	7,621
	<u>120,850</u>	<u><b>120,032</b></u>	<u>119,963</u>
Equipment charges less operating costs	213,808	<b>104,116</b>	121,730
Parking and bylaw infraction fines	25,200	<b>19,080</b>	23,795
Parking permits and revenues	58,400	<b>57,878</b>	58,062
Rentals	165,612	<b>170,154</b>	159,745
Penalties and interest on taxes	38,000	<b>73,035</b>	32,187
	<u>501,020</u>	<u><b>424,263</b></u>	<u>395,519</u>
Donations and contributions	-	<b>5,700</b>	5,100
Other revenues and fees	47,760	<b>47,129</b>	33,991
	<u>47,760</u>	<u><b>52,829</b></u>	<u>39,091</u>
<b>Total Licences, Permits, Rentals and Penalties</b>	<u>669,630</u>	<u><b>597,124</b></u>	<u>554,573</u>

**THE CORPORATION OF THE CITY OF DUNCAN  
NON-CONSOLIDATED SCHEDULE OF REVENUES  
(Excluding Joint Utilities Board Financial Information)  
Year Ended December 31, 2018**

**SCHEDULE 3  
Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>Other Income</b>			
<b>Return on Investments</b>			
General Fund	13,000	26,284	14,804
Waterworks Fund	45,000	38,962	47,785
Sewer Fund	15,000	25,821	22,533
Reserve Fund	-	140,971	121,451
	<u>73,000</u>	<u>232,038</u>	<u>206,573</u>
<b>Asset Disposal</b>			
Gain(Loss) on Disposal of Tangible Capital Assets	150,000	(12,880)	(100,470)
<b>Assets Contributed by Developers</b>			
General Capital	-	92,862	228,460
<b>Funds Contributed from Other Governments</b>			
Amalgamation Study	-	-	37,471
Joint Parks	13,858	13,872	13,613
	<u>13,858</u>	<u>13,872</u>	<u>51,084</u>
<b>Capital Contributions from Developers</b>			
Developer contributions	-	-	189,274
Water Infrastructure	-	141,901	140,755
	<u>-</u>	<u>141,901</u>	<u>330,029</u>
<b>Development Cost Charge Funds Utilized</b>			
Sewer Infrastructure	-	-	-

THE CORPORATION OF THE CITY OF DUNCAN  
NON-CONSOLIDATED SCHEDULE OF REVENUES  
(Excluding Joint Utilities Board Financial Information)  
Year Ended December 31, 2018

SCHEDULE 3  
Unaudited

	2018 Budget	2018 Actual	2017 Actual
<b>Other Income (continued)</b>			
<b>Gas Tax Funds Utilized</b>	628,750	<b>202,796</b>	74,115
<b>Government Transfers</b>			
Unconditional Transfers from Other Governments			
Provincial revenue sharing	520,000	<b>535,243</b>	520,926
Conditional Transfers from Other Governments			
Federal government	41,650	<b>43,173</b>	54,307
Provincial government	5,000	<b>5,929</b>	41,505
	46,650	<b>49,102</b>	95,812
Total Government Transfers	566,650	<b>584,345</b>	616,738
<b>Grants</b>	48,500	<b>10,200</b>	8,181
<b>Total Other Income</b>	1,480,758	<b>1,265,134</b>	1,414,710
<b>Total Revenue</b>	\$ 10,229,146	<b>\$ 10,183,942</b>	\$ 9,921,457

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NON-CONSOLIDATED SCHEDULE OF EXPENSES**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 4**  
**Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>General Government Services</b>			
Legislative	\$ 161,247	\$ 147,934	\$ 149,951
General administration:			
Salaries and benefits	883,000	830,827	876,095
Advertising	5,000	7,015	8,158
Accounting and audit	20,000	19,950	18,490
City Hall maintenance and operation	59,850	58,397	55,441
Communications and consulting	84,303	45,388	71,196
Computer services	67,800	77,915	68,985
Insurance	52,649	41,064	46,139
Legal	23,000	16,615	31,744
Office supplies and miscellaneous	32,675	33,854	31,467
Sick leave and severance expense	50,000	51,850	33,923
Telephone, internet and postage	10,900	13,471	15,045
Travel, conference, training	44,050	41,659	39,945
Internal recoveries	(488,070)	(484,080)	(483,717)
	<u>845,157</u>	<u>753,925</u>	<u>812,911</u>
Other:			
Grants to organizations	20,720	20,308	11,688
Margaret Moss building	6,713	216	2,969
Operation and maintenance	4,020	4,034	4,034
Elections and Amalgamation Referendum	32,000	30,787	-
Sundry	6,875	6,146	5,413
Tourism	83,443	84,869	77,721
Write down of account receivable to net realizeable value	<u>153,771</u>	<u>(8,545)</u>	<u>26,036</u>
	<u>1,160,175</u>	<u>1,039,674</u>	<u>1,090,723</u>
<b>Total General Government Services</b>	<u>1,160,175</u>	<u>1,039,674</u>	<u>1,090,723</u>



**THE CORPORATION OF THE CITY OF DUNCAN**  
**NON-CONSOLIDATED SCHEDULE OF EXPENSES**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 4**  
**Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>Protective Services</b>			
Fire:			
Chief and officers' honorarium	27,000	<b>26,488</b>	26,417
Call pay	120,500	<b>120,356</b>	162,402
Wages and benefits - clerical staff	17,500	<b>17,232</b>	13,619
Training	53,000	<b>42,529</b>	46,047
Insurance	6,900	<b>7,067</b>	6,851
Telephone and radio alarm system	10,890	<b>8,450</b>	8,832
Fire hall maintenance and operation	36,945	<b>38,544</b>	40,846
Vehicle maintenance and operation	29,160	<b>34,083</b>	20,145
Fire investigation and prevention	46,000	<b>38,637</b>	36,314
Hydrant rental	16,750	<b>18,527</b>	16,931
Other	74,912	<b>71,384</b>	72,408
	<u>439,557</u>	<u><b>423,297</b></u>	<u>450,812</u>
Other protection:			
Animal control	21,000	<b>20,095</b>	19,862
Building inspection:			
Salaries and benefits	71,850	<b>79,905</b>	76,436
Other	448	<b>442</b>	(114)
Security patrols and cameras	57,000	<b>37,612</b>	37,243
	<u>150,298</u>	<u><b>138,054</b></u>	<u>133,427</u>
<b>Total Protective Services</b>	<u>589,855</u>	<u><b>561,351</b></u>	<u>584,239</u>

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NON-CONSOLIDATED SCHEDULE OF EXPENSES**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 4**  
**Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>Public Works &amp; Engineering</b>			
Common services:			
Public works administration salaries and benefits	330,500	<b>304,574</b>	337,329
Other administration costs	83,766	<b>85,690</b>	71,466
Operation and maintenance of workshop and yard	50,603	<b>53,813</b>	46,572
Small tools and equipment	6,910	<b>8,028</b>	6,529
Engineering	213,786	<b>219,267</b>	187,286
Public works administration recoveries	(359,021)	<b>(346,328)</b>	(345,174)
	<u>326,544</u>	<u><b>325,044</b></u>	<u>304,008</u>
Street maintenance	76,450	<b>39,656</b>	58,302
Sidewalk maintenance	80,200	<b>56,276</b>	37,012
Drainage	70,014	<b>55,248</b>	84,950
Flood control and storm water quality testing	6,000	<b>4,754</b>	1,538
Street sweeping	54,400	<b>60,018</b>	48,595
Snow removal	48,900	<b>28,154</b>	152,052
Boulevard and median maintenance	64,990	<b>64,187</b>	53,861
Tree maintenance	33,000	<b>34,196</b>	30,377
Totem maintenance	53,550	<b>52,909</b>	91,276
Traffic lines and signs	83,430	<b>78,395</b>	84,339
Street lighting	94,675	<b>106,760</b>	105,625
Traffic light maintenance and control	31,075	<b>33,605</b>	37,020
Off street free parking lots	9,950	<b>14,523</b>	12,590
Other	2,720	<b>6,028</b>	3,223
	<u>709,354</u>	<u><b>634,709</b></u>	<u>800,760</u>
Parking:			
Parking control	28,550	<b>26,814</b>	24,289
Off street paid parking lots	18,350	<b>18,610</b>	19,718
	<u>46,900</u>	<u><b>45,424</b></u>	<u>44,007</u>
Other:			
Bylaw enforcement	47,620	55,316	90,511
	<u>47,620</u>	<u>55,316</u>	<u>90,511</u>
<b>Total Public Works &amp; Engineering</b>	<u>1,130,418</u>	<u><b>1,060,493</b></u>	<u>1,239,286</u>

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NON-CONSOLIDATED SCHEDULE OF EXPENSES**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 4**  
**Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>Environmental Health Services</b>			
Solid waste collection and disposal	212,685	<b>207,994</b>	215,765
Comfort stations	30,250	<b>31,362</b>	35,916
Environmental programs	2,500	-	325
	<u>245,435</u>	<u><b>239,356</b></u>	<u>252,006</u>
<b>Environmental Development Services</b>			
Planning salaries and benefits	161,900	<b>149,179</b>	168,867
Materials and contracted services	33,150	<b>29,491</b>	136,291
	<u>195,050</u>	<u><b>178,670</b></u>	<u>305,158</u>
<b>Recreation and Cultural Services</b>			
Parks and playgrounds	449,908	<b>465,983</b>	468,938
Joint Parks contributions	6,000	<b>5,896</b>	5,890
Joint Cowichan Aquatic Centre contributions	247,783	<b>255,522</b>	238,508
Senior Citizens' Activity Centre	5,413	<b>5,493</b>	6,412
Museum	10,200	<b>10,122</b>	9,871
	<u>719,304</u>	<u><b>743,016</b></u>	<u>729,619</u>
<b>Interest</b>			
Interest in General Fund			
General government	1,000	<b>1,989</b>	883
Recreation and cultural services	47,125	<b>47,125</b>	47,125
	<u>48,125</u>	<u><b>49,114</b></u>	<u>48,008</u>
Interest in Sewer Fund	8,820	<b>8,820</b>	8,820
	<u>56,945</u>	<u><b>57,934</b></u>	<u>56,828</u>
<b>Water and Sewer Services</b>			
Waterworks	1,322,385	<b>1,361,010</b>	1,309,543
Sewer	802,483	<b>843,388</b>	631,411
	<u>2,124,868</u>	<u><b>2,204,398</b></u>	<u>1,940,954</u>

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NON-CONSOLIDATED SCHEDULE OF EXPENSES**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 4**  
**Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>Amortization</b>			
General government services	110,184	<b>109,783</b>	102,217
Protective services	157,407	<b>154,007</b>	138,367
Transportation services	582,405	<b>544,588</b>	519,445
Environmental health services	31,481	<b>24,649</b>	24,649
Recreation and cultural services	283,332	<b>268,554</b>	270,482
Water services	47,222	<b>321,870</b>	293,055
Sewer services	362,039	<b>48,657</b>	47,126
	<u>1,574,070</u>	<u><b>1,472,108</b></u>	<u>1,395,341</u>
<b>Other</b>			
Capital expense	-	<b>615,675</b>	1,170,238
Actuarial debt adjustment	-	<b>(35,430)</b>	(30,601)
	<u>-</u>	<u><b>580,245</b></u>	<u>1,139,637</u>
<b>Total Expenses</b>	<u>\$ 7,796,120</u>	<u><b>\$ 8,137,245</b></u>	<u>\$ 8,733,791</u>

THE CORPORATION OF THE CITY OF DUNCAN  
CONSOLIDATED STATEMENT OF OPERATIONS BY PROGRAM  
Year Ended December 31, 2018

SCHEDULE 5  
Audited

	General Government		Protective Services		Public Works & Engineering		Environmental Health Services		Environmental Development Services	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>REVENUE</b>										
Taxation and grants in lieu of taxes	\$ 4,099,466	\$ 3,960,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of services	12,622	12,251	303,015	402,512	22,711	44,686	216,444	214,333	-	-
Licenses, permits, penalties and fines	416,050	350,986	-	-	181,074	203,587	-	-	-	-
Return on investments	167,255	136,255	-	-	-	-	-	-	-	-
Grants	10,200	8,181	-	-	-	-	-	-	-	-
Government transfers	584,345	616,738	-	-	-	-	-	-	-	-
Funds contributed from other governments	13,872	51,084	-	-	-	-	-	-	-	-
Development Cost Charge funds utilized	-	-	-	-	-	-	-	-	-	-
Gas Tax funds utilized	-	-	202,796	74,115	-	-	-	-	-	-
Capital contributions from developers	-	-	-	-	-	-	-	-	-	-
Gain(Loss) on disposal of assets	-	-	-	-	(12,880)	(107,339)	-	-	-	-
Developer contributions	-	-	-	-	-	189,274	-	-	-	-
Assets contributed by developers	-	-	-	-	92,862	228,460	-	-	-	-
Increase (decrease) in proportionate share of JUB assets	-	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>\$ 5,303,810</b>	<b>\$ 5,136,492</b>	<b>\$ 505,811</b>	<b>\$ 476,627</b>	<b>\$ 283,767</b>	<b>\$ 558,668</b>	<b>\$ 216,444</b>	<b>\$ 214,333</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EXPENSES</b>										
Operating expenses										
Payroll	\$ 1,030,076	\$ 1,075,190	\$ 284,206	\$ 285,387	\$ 877,424	\$ 935,116	\$ 21,939	\$ 77,058	\$ 149,179	\$ 168,867
Other	9,598	15,533	277,145	298,852	183,069	304,170	217,417	174,948	29,491	136,291
<b>Total operating expenses</b>	<b>1,039,674</b>	<b>1,090,723</b>	<b>561,351</b>	<b>584,239</b>	<b>1,060,493</b>	<b>1,239,286</b>	<b>239,356</b>	<b>252,006</b>	<b>178,670</b>	<b>305,158</b>
Capital fund expenses	105,500	741,750	36,826	43,676	49,126	13,853	861	-	-	-
Amortization	109,783	102,217	154,007	138,367	544,588	519,445	24,649	24,649	-	-
Interest	1,989	883	-	-	-	-	-	-	-	-
Actuarial adjustment to debt	-	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 1,256,946</b>	<b>\$ 1,935,573</b>	<b>\$ 752,184</b>	<b>\$ 766,282</b>	<b>\$ 1,654,207</b>	<b>\$ 1,772,584</b>	<b>\$ 264,866</b>	<b>\$ 276,655</b>	<b>\$ 178,670</b>	<b>\$ 305,158</b>
<b>Surplus (Deficit)</b>	<b>\$ 4,046,864</b>	<b>\$ 3,200,919</b>	<b>\$ (246,373)</b>	<b>\$ (289,655)</b>	<b>\$ (1,370,440)</b>	<b>\$ (1,213,916)</b>	<b>\$ (48,422)</b>	<b>\$ (62,322)</b>	<b>\$ (178,670)</b>	<b>\$ (305,158)</b>

\* The general government category includes revenues and expenses that cannot be attributed to a particular segment.

THE CORPORATION OF THE CITY OF DUNCAN  
CONSOLIDATED STATEMENT OF OPERATIONS BY PROGRAM  
Year Ended December 31, 2018

SCHEDULE 5  
Audited

	Recreation and Cultural Services		Water Services		Sewer Services		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>REVENUE</b>								
Taxation and grants in lieu of taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,099,466	\$ 3,960,997
Sale of services	9,321	10,298	2,468,225	2,219,017	1,189,880	1,088,080	4,222,218	3,991,177
Licenses, permits, penalties and fines	-	-	-	-	-	-	597,124	554,573
Return on investments	-	-	38,962	47,785	25,821	22,533	232,038	206,573
Grants	-	-	-	-	-	-	10,200	8,181
Government transfers	-	-	-	-	-	-	584,345	616,738
Funds contributed from other governments	-	-	-	-	-	-	13,872	51,084
Development Cost Charge funds utilized	-	-	-	-	-	-	-	-
Gas Tax funds utilized	-	-	-	-	-	-	202,796	74,115
Capital contributions from developers	-	-	141,901	140,755	-	-	141,901	140,755
Gain(Loss) on disposal of assets	-	-	-	2,001	-	4,868	(12,880)	(100,470)
							-	189,274
Assets contributed by developers	-	-	-	-	-	-	92,862	228,460
Increase (decrease) in proportionate share of JUB assets	-	-	-	-	(58,645)	8,309	(58,645)	8,309
Total revenue	\$ 9,321	\$ 10,298	\$ 2,649,088	\$ 2,409,558	\$ 1,157,056	\$ 1,123,790	\$ 10,125,297	\$ 9,929,766
<b>EXPENSES</b>								
Operating expenses								
Payroll	\$ 331,072	\$ 251,656	\$ 333,195	\$ 297,424	\$ 87,769	\$ 59,210	\$ 3,114,860	\$ 3,149,908
Other	411,944	477,963	1,027,815	1,012,119	690,022	244,837	2,846,501	2,664,713
Total operating expenses	743,016	729,619	1,361,010	1,309,543	777,791	304,047	5,961,361	5,814,621
Capital fund expenses	57,978	27,292	66,544	50,018	298,840	293,649	615,675	1,170,238
Amortization	268,554	270,482	321,870	293,055	76,627	64,077	1,500,078	1,412,292
Interest	47,125	47,125	-	-	8,820	8,820	57,934	56,828
Actuarial adjustment to debt	(19,213)	(15,689)	-	-	(16,217)	(14,912)	(35,430)	(30,601)
Total expenses	\$ 1,097,460	\$ 1,058,829	\$ 1,749,424	\$ 1,652,616	\$ 1,145,861	\$ 655,681	\$ 8,099,618	\$ 8,423,378
<b>Surplus (Deficit)</b>	<b>\$ (1,088,139)</b>	<b>\$ (1,048,531)</b>	<b>\$ 899,664</b>	<b>\$ 756,942</b>	<b>\$ 11,195</b>	<b>\$ 468,109</b>	<b>\$ 2,025,679</b>	<b>\$ 1,506,388</b>

**THE CORPORATION OF THE CITY OF DUNCAN**  
**CONSOLIDATED DETAILS AND RECONCILIATION TO CORE GOVERNMENT RESULTS**  
**Year Ended December 31, 2018**

**SCHEDULE 6**  
**Audited**

	The Corporation of the City of Duncan		Joint Utilities Board (JUB) Proportionate Share		Total	
	2018	2017	2018	2017	2018	2017
<b>STATEMENT OF FINANCIAL POSITION</b>						
Portfolio investments (Note 3)	\$ 12,866,645	\$ 12,394,018	\$ 1,290,610	\$ 1,293,414	\$ 14,157,255	\$ 13,687,432
Deferred revenue (Note 9)	\$ 1,215,723	\$ 1,011,248	\$ 785,220	\$ 820,425	\$ 2,000,943	\$ 1,831,673
Tangible capital assets (Schedule 1)	\$ 30,769,736	\$ 28,916,252	\$ 938,171	\$ 991,590	\$ 31,707,907	\$ 29,907,842
Prepaid expenses	\$ 32,599	\$ 16,937	\$ -	\$ -	\$ 32,599	\$ 16,937
Equity in tangible capital assets (Schedule 7)	\$ 29,860,185	\$ 27,884,933	\$ 938,171	\$ 991,590	\$ 30,798,355	\$ 28,876,523
Accumulated surplus (Schedule 9)	\$ 40,255,968	\$ 38,209,271	\$ 1,443,561	\$ 1,464,579	\$ 41,699,529	\$ 39,673,850
<b>INVESTMENT IN TANGIBLE CAPITAL ASSETS</b>						
Acquisition of tangible capital assets (Schedule 1)	\$ 3,358,972	\$ 2,891,636	\$ (25,449)	\$ 292,414	\$ 3,333,523	\$ 3,184,050
<b>STATEMENT OF OPERATIONS</b>						
Increase (decrease) in share of JUB assets	\$ -	\$ -	\$ (58,645)	\$ 8,309	\$ (58,645)	\$ 8,309
Total revenues (Schedule 3)	\$ 10,183,942	\$ 9,921,457	\$ (58,645)	\$ 8,309	\$ 10,125,297	\$ 9,929,766
Sewer services expenses	\$ 843,388	\$ 631,411	\$ (65,597)	\$ (327,364)	\$ 777,791	\$ 304,047
Sewer services amortization (Schedule 4)	\$ 48,657	\$ 47,126	\$ 27,970	\$ 16,951	\$ 76,627	\$ 64,077
Total expenses (Schedule 4)	\$ 8,137,245	\$ 8,733,791	\$ (37,627)	\$ (310,413)	\$ 8,099,618	\$ 8,423,378

THE CORPORATION OF THE CITY OF DUNCAN  
NON-CONSOLIDATED SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS  
(Excluding Joint Utilities Board Financial Information)  
Year Ended December 31, 2018

SCHEDULE 7  
Audited

	<u>2018</u>	<u>2017</u>
<b>NET INVESTMENT IN TANGIBLE CAPITAL ASSETS</b>		
<b>Net Investment in Tangible Capital Assets (beginning of year)</b>	<b>\$ 27,884,933</b>	<b>\$ 26,385,974</b>
Add: Purchase of tangible capital assets	3,266,110	2,663,176
Tangible capital assets acquired in-kind	92,862	228,460
Debt repayment	86,338	86,338
Actuarial adjustment to debt	35,430	30,601
Less: Amortization	(1,472,108)	(1,395,341)
Net book value of disposed of tangible capital assets	(33,380)	(114,275)
<b>Net Investment in Tangible Capital Assets</b>	<b><u>\$ 29,860,185</u></b>	<b><u>\$ 27,884,933</u></b>



**THE CORPORATION OF THE CITY OF DUNCAN**  
**NON-CONSOLIDATED SCHEDULE OF CHANGE IN RESERVE FUND BALANCES**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 8**  
**Audited**

	2018 Budget	2018 Actual	2017 Actual
<b>REVENUE</b>			
Investment income	\$ -	\$ 140,971	\$ 121,451
Water capital contributions from developers	-	141,901	140,755
<b>NET REVENUES</b>	-	<b>282,872</b>	262,206
<b>TRANSFERS</b>			
Transfers from operating fund	1,113,740	1,171,560	966,595
Transfers to general capital fund	(1,520,799)	(1,080,892)	(684,802)
Transfers to water capital fund	-		(200,000)
Transfers to sewer capital fund	(448,363)	(134,000)	-
<b>CHANGE IN RESERVE FUND BALANCES</b>	(855,422)	<b>239,540</b>	343,999
<b>FUND SURPLUS, BEGINNING OF YEAR</b>	6,847,293	<b>6,847,293</b>	6,503,294
<b>FUND SURPLUS, END OF YEAR</b>	<u>\$ 5,991,871</u>	<u>\$ 7,086,834</u>	<u>\$ 6,847,293</u>

Individual reserve fund balances are detailed on the next page.

**THE CORPORATION OF THE CITY OF DUNCAN**  
**NON-CONSOLIDATED SCHEDULE OF CHANGE IN RESERVE FUND BALANCES**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 8**  
**Audited**

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
<b>SUMMARY OF RESERVE FUND POSITIONS</b>		
Sale of real property	* 226,281	\$ 230,288
Underground Utilities	27,696	-
Parking improvement	237,619	307,233
Parking improvement - Restricted	* 122,728	120,234
Municipal Finance Authority debt issue refunds	25,311	24,797
Operating reserves	367,842	325,892
Machinery and equipment	1,695,322	2,203,374
Capital works and other miscellaneous reserves	262,892	216,581
General capital cost contributions	7,340	7,190
Police bridging capital	2,400,941	1,705,897
Downtown revitalization	18,344	17,971
Melba Schappert bequest	19,298	28,909
Pioneer Park	1,431	1,401
Public Art	10,170	9,963
Water capital cost contributions	536,103	411,683
Water capital reserve	405,861	397,613
Sewer capital cost contributions	14,501	145,484
Sewer capital reserve	707,154	692,783
<b>Total Reserve Fund Equity</b>	<b>\$ 7,086,834</b>	<b>\$ 6,847,293</b>
<b>RESERVES HELD AS LIABILITIES</b>		
Federal Gas Tax funds (Note 9)	* 484,272	404,214
Restricted revenue (Note 10)	* 2,061,670	1,996,382
<b>Total Reserve Funds</b>	<b>\$ 9,632,776</b>	<b>\$ 9,247,889</b>

\* Restricted Cash and Portfolio Investments (Note 3)

THE CORPORATION OF THE CITY OF DUNCAN  
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION - FUNDS  
(Excluding Joint Utilities Board Financial Information)  
Year Ended December 31, 2018

SCHEDULE 9  
Unaudited

	General Fund		Reserve Fund		Waterworks Utility Fund		Sewer Utility Fund		Equity in Capital Assets		2018	2017
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	Total	Total
<b>FINANCIAL ASSETS</b>												
Cash and cash equivalents (Note 3)	\$ 632,854	\$ 939,738	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 632,854	\$ 939,738
Accounts receivable (Note 4)	1,019,439	1,118,557	-	-	170,105	121,970	-	3,777	-	-	1,189,544	1,244,304
Portfolio investments (Note 3)	640,683	32,200	9,632,776	\$ 9,247,889	1,134,832	1,878,286	1,458,354	1,235,643	-	-	12,866,645	12,394,018
Deposits - Municipal Finance Authority (Note 5)	17,904	17,524	-	-	-	-	8,912	8,722	-	-	26,816	26,246
Loan receivable (Note 6)	109,414	122,825	-	-	-	-	-	-	-	-	109,414	122,825
	<u>\$ 2,420,294</u>	<u>\$ 2,230,844</u>	<u>\$ 9,632,776</u>	<u>\$ 9,247,889</u>	<u>\$ 1,304,937</u>	<u>\$ 2,000,256</u>	<u>\$ 1,467,266</u>	<u>\$ 1,248,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,825,273</u>	<u>\$ 14,727,131</u>
<b>LIABILITIES</b>												
Accounts payable and accrued liabilities (Note 7)	\$ 707,030	\$ 1,014,362	\$ -	\$ -	\$ -	\$ -	\$ 725	\$ 725	\$ -	\$ -	\$ 707,755	\$ 1,015,087
Sick and severance liabilities (Note 13(b))	467,694	428,789	-	-	-	-	-	-	-	-	467,694	428,789
Refundable deposits (Note 8)	142,646	99,447	-	-	-	-	-	-	-	-	142,646	99,447
Deferred revenue (Note 9)	702,423	584,422	484,272	404,214	29,028	22,537	-	75	-	-	1,215,723	1,011,248
Restricted revenue (Note 10)	-	-	2,061,670	1,996,382	-	-	-	-	-	-	2,061,670	1,996,382
Debenture debt (Note 11)	-	-	-	-	-	-	-	-	909,552	1,031,319	909,552	1,031,319
	<u>2,019,793</u>	<u>2,127,020</u>	<u>2,545,942</u>	<u>2,400,596</u>	<u>29,028</u>	<u>22,537</u>	<u>725</u>	<u>800</u>	<u>909,552</u>	<u>1,031,319</u>	<u>5,505,040</u>	<u>5,582,272</u>
<b>NET FINANCIAL ASSETS</b>	<u>\$ 400,501</u>	<u>\$ 103,824</u>	<u>\$ 7,086,834</u>	<u>\$ 6,847,293</u>	<u>\$ 1,275,909</u>	<u>\$ 1,977,719</u>	<u>\$ 1,466,541</u>	<u>\$ 1,247,342</u>	<u>\$ (909,552)</u>	<u>\$ (1,031,319)</u>	<u>\$ 9,320,233</u>	<u>\$ 9,144,859</u>
<b>NON-FINANCIAL ASSETS</b>												
Tangible capital assets (Schedule 1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,769,736	\$ 28,916,252	\$ 30,769,736	\$ 28,916,252
Inventory of supplies	133,400	131,223	-	-	-	-	-	-	-	-	133,400	131,223
Prepaid expenses	32,599	16,937	-	-	-	-	-	-	-	-	32,599	16,937
	<u>165,999</u>	<u>148,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,769,736</u>	<u>28,916,252</u>	<u>30,935,735</u>	<u>29,064,412</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 566,500</u>	<u>\$ 251,984</u>	<u>\$ 7,086,834</u>	<u>\$ 6,847,293</u>	<u>\$ 1,275,909</u>	<u>\$ 1,977,719</u>	<u>\$ 1,466,541</u>	<u>\$ 1,247,342</u>	<u>\$ 29,860,184</u>	<u>\$ 27,884,933</u>	<u>\$ 40,255,968</u>	<u>\$ 38,209,271</u>

**THE CORPORATION OF THE CITY OF DUNCAN**  
**STATEMENT OF GENERAL REVENUE FUND OPERATIONS**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 10**  
**Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>REVENUE</b>			
Taxation	\$ 4,140,632	\$ 4,086,823	\$ 3,948,103
Grants in lieu of taxes	12,900	12,643	12,894
Sale of services	541,698	558,281	650,110
Other revenue from own sources	669,630	597,124	554,573
Return on investments	13,000	26,284	14,804
Grants	-	400	881
Government transfers	566,650	584,345	616,738
Funds contributed from other governments	13,858	13,872	51,084
Total revenue	<u>5,958,368</u>	<u>5,879,772</u>	<u>5,849,187</u>
<b>EXPENSES</b>			
General government	1,160,175	1,039,674	1,090,723
Protective services	589,855	561,351	584,239
Public works & engineering	1,130,418	1,060,493	1,239,286
Environmental health services	245,435	239,356	252,006
Environmental development services	195,050	178,670	305,158
Recreation and cultural services	719,304	743,016	729,619
Interest	48,125	49,114	48,008
Total expenses	<u>4,088,362</u>	<u>3,871,674</u>	<u>4,249,039</u>
<b>NET REVENUES</b>	1,870,006	2,008,098	1,600,148
<b>TRANSFERS</b>			
Transfers to general capital fund	(684,808)	(404,967)	(635,195)
Transfers to reserve fund	(1,113,740)	(1,171,560)	(966,595)
Transfers to sewer revenue fund - parcel tax	(43,900)	(44,640)	(43,860)
Long term debt repayment	(72,415)	(72,415)	(72,415)
<b>NET INCREASE (DECREASE) IN FUND</b>	(44,857)	314,516	(117,917)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>251,984</u>	<u>251,984</u>	<u>369,901</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 207,127</u>	<u>\$ 566,500</u>	<u>\$ 251,984</u>

**THE CORPORATION OF THE CITY OF DUNCAN**  
**STATEMENT OF WATERWORKS UTILITY REVENUE FUND OPERATIONS**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 11**  
**Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>REVENUE</b>			
Sale of water	\$ 2,202,929	\$ 2,346,765	\$ 2,149,452
Water studies	1,200	4,904	1,800
Service charges	20,000	22,125	20,801
Return on investments	45,000	38,962	47,785
Total revenue	<u>2,269,129</u>	<u>2,412,756</u>	<u>2,219,838</u>
<b>EXPENSES</b>			
Administration	642,005	588,329	641,197
Transmission and distribution	422,920	459,600	408,795
Pumping	257,460	313,081	259,551
Total expenses	<u>1,322,385</u>	<u>1,361,010</u>	<u>1,309,543</u>
<b>NET REVENUES</b>	946,744	1,051,746	910,295
<b>TRANSFERS</b>			
Transfers to waterworks utility capital fund	<u>(2,762,129)</u>	<u>(1,753,556)</u>	<u>(1,514,439)</u>
<b>NET DECREASE IN FUND</b>	(1,815,385)	(701,810)	(604,144)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>1,977,719</u>	<u>1,977,719</u>	<u>2,581,863</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 162,334</u>	<u>\$ 1,275,909</u>	<u>\$ 1,977,719</u>

**THE CORPORATION OF THE CITY OF DUNCAN**  
**STATEMENT OF SEWER UTILITY REVENUE FUND OPERATIONS**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 12**  
**Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>REVENUE</b>			
Sewer fees	\$ 1,159,299	<b>\$ 1,185,923</b>	\$ 1,083,119
Service charges	100	<b>25</b>	15
Return on investments	15,000	<b>25,821</b>	22,533
Total revenue	<u>1,174,399</u>	<u><b>1,211,769</b></u>	<u>1,105,667</u>
<b>EXPENSES</b>			
Administration	282,284	<b>254,000</b>	251,395
Collection and disposal	181,344	<b>208,606</b>	130,537
Cost sharing - municipal government	(24,500)	<b>(27,448)</b>	(29,827)
Joint Utilities Board	363,355	<b>408,230</b>	279,306
Interest on debenture debt	8,820	<b>8,820</b>	8,820
Total expenses	<u>811,303</u>	<u><b>852,208</b></u>	<u>640,231</u>
<b>NET REVENUES</b>	363,096	<b>359,561</b>	465,436
<b>TRANSFERS</b>			
Transfers to sewer capital fund	(439,073)	<b>(171,079)</b>	(428,603)
Transfers from general revenue fund - parcel tax	43,900	<b>44,640</b>	43,860
Long-term debt repayment	(13,923)	<b>(13,923)</b>	(13,923)
<b>NET INCREASE (DECREASE) IN FUND</b>	(46,000)	<b>219,199</b>	66,770
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>1,247,342</u>	<u><b>1,247,342</b></u>	<u>1,180,572</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>\$ 1,201,342</u></u>	<u><u><b>\$ 1,466,541</b></u></u>	<u><u>\$ 1,247,342</u></u>

**THE CORPORATION OF THE CITY OF DUNCAN**  
**STATEMENT OF CAPITAL FUND OPERATIONS**  
**(Excluding Joint Utilities Board Financial Information)**  
**Year Ended December 31, 2018**

**SCHEDULE 13**  
**Unaudited**

	2018 Budget	2018 Actual	2017 Actual
<b>REVENUE</b>			
Connection fees			
General Capital	\$ -	\$ 5,832	\$ 33,970
Water Capital	-	94,431	46,964
Sewer Capital	-	3,932	4,946
Grants	48,500	9,800	7,300
Government transfers	-	-	-
Development Cost Charges utilized	-	-	-
Gas Tax Funds utilized	628,750	202,796	74,115
Gain (Loss) on disposal of tangible capital assets	150,000	(12,880)	(100,470)
Developer contributions	-	-	189,274
Assets constructed by Developers			
General Capital	-	92,862	228,460
Total revenue	<u>827,250</u>	<u>396,773</u>	<u>484,559</u>
<b>EXPENSES (not capitalized) (Schedule 5)</b>			
General government services	-	105,500	741,750
Protective services	-	36,826	43,676
Transportation services	-	49,126	13,853
Environmental health services	-	861	-
Recreation and cultural services	-	57,978	27,292
Water services	-	66,544	50,018
Sewer services	-	298,840	293,649
Total expenses	<u>-</u>	<u>615,675</u>	<u>1,170,238</u>
<b>NET REVENUES</b>	827,250	(218,902)	(685,679)
<b>TRANSFERS</b>			
Transfers from general operating fund	684,808	404,967	635,195
Transfers from water operating fund	2,762,129	1,753,556	1,514,439
Transfers from sewer operating fund	439,073	305,079	428,603
Transfers from general reserve funds	1,520,799	1,080,892	684,803
Transfers from water reserve funds			200,000
Transfers from sewer reserve funds	448,363	-	-
Tangible capital asset purchases	(6,682,422)	(3,266,110)	(2,663,176)
Tangible capital assets acquired in-kind	-	(92,862)	(228,460)
Net book value of disposed of tangible capital assets	-	33,380	114,275
<b>NET INCREASE (DECREASE) IN FUND</b>	-	-	-
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	-	-	-
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
Financial Statements

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(Audited)

**DECEMBER 31, 2018**



DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
FOR THE YEAR ENDED DECEMBER 31, 2018

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DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
FOR THE YEAR ENDED DECEMBER 31, 2018

## Statement of Responsibility

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

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

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

Grant Thornton LLP, as the Duncan – North Cowichan Joint Utilities Board’s appointed external auditors, has audited the financial statements. The Auditor’s report is addressed to the Duncan – North Cowichan Joint Utilities Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Duncan – North Cowichan Joint Utilities Board in accordance with Canadian public sector accounting standards.



Mark Frame  
General Manager, Financial and Protective Services  
May 1, 2019

## Independent auditor's report

To the Duncan – North Cowichan Joint Utilities Board,

### Opinion

We have audited the financial statements of the Duncan - North Cowichan Joint Utilities Board ("the Partnership"), which comprise the statement of financial position as at December 31, 2018, the statement of operations for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Duncan - North Cowichan Joint Utilities Board as at December 31, 2018, and the results of operations for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Grant Thornton LLP*

Duncan, Canada  
May 1, 2019

Chartered Professional Accountants

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**STATEMENT OF FINANCIAL POSITION**  
AS AT DECEMBER 31, 2018 , WITH COMPARATIVE FIGURES FOR 2017

	<u>2018 Actual</u>	<u>2017 Actual</u>
<b>Financial Assets</b>		
Investments (Notes 3 and 6)	<u>\$ 4,145,875</u>	<u>\$ 4,048,244</u>
<b>Financial Liabilities</b>		
Unearned revenue	<u>2,522,390</u>	<u>2,567,840</u>
<b>Net Financial Assets</b>	<u>1,623,485</u>	<u>1,480,404</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule I)	<u>3,013,719</u>	<u>3,103,567</u>
<b>Accumulated Surplus</b>	<u><u>\$ 4,637,204</u></u>	<u><u>\$ 4,583,971</u></u>

Approved by:



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M. Frame  
General Manager of Financial and Protective Services

See accompanying notes to the financial statements.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**STATEMENT OF OPERATIONS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018, WITH COMPARATIVE FIGURES FOR 2017

	2018 Budget	2018 Actual	2017 Actual
<b>Revenues</b>			
<b>Contributions from:</b>			
The Corporation of the District of North Cowichan	\$ 2,239,591	\$ 733,815	\$ 960,452
The Corporation of the City of Duncan	1,320,299	434,964	567,688
Cowichan Valley Regional District	554,447	213,606	267,731
Cowichan Tribes	83,849	29,791	39,834
Return on investments	20,300	27,880	10,446
Grants and government transfers	556,167	175,624	-
	<u>4,774,653</u>	<u>1,615,680</u>	<u>1,846,151</u>
<b>Expenses</b>			
Administration	42,110	57,670	39,122
Amortization	-	89,849	53,055
Sewer lagoon operations and maintenance	1,682,960	1,414,928	782,415
	<u>1,725,070</u>	<u>1,562,447</u>	<u>874,592</u>
<b>Annual Surplus</b>	\$ 3,049,583	53,233	971,559
<b>Accumulated surplus, beginning of year</b>	<u>4,583,971</u>	<u>4,583,971</u>	<u>3,612,412</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 7,633,554</u>	<u>\$ 4,637,204</u>	<u>\$ 4,583,971</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, 2018

**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.

**c) Cash and cash equivalents**

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

**d) 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.

**e) 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.

DUNCAN - NORTH COWICHAN JOINT UTILITIES BOARD  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2018

**2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**f) 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

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.

**3. INVESTMENTS**

Investments are carried at cost, which at December 31, 2018, 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 \$382,595 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, 2018

**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:

	2018	2017
Balances, beginning of year	\$ 1,480,404	\$ 1,354,759
Add: transfers from current operations	143,081	125,645
<b>Balance, end of year</b>	<b>\$ 1,623,485</b>	<b>\$ 1,480,404</b>

**7. LISTING OF OPERATING EXPENDITURES BY OBJECT TYPE**

The following provides a summary of operating expenses by object:

	2018	2017
Salaries, wages and benefits	\$ 171,670	\$ 151,551
Contract services	350,452	35,469
Amortization	89,849	53,055
Materials and supplies	524,679	309,794
Land rent	425,797	324,723
<b>Total expense</b>	<b>\$ 1,562,447</b>	<b>\$ 874,592</b>

**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, 2018

**SCHEDULE I**

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Balance December 31, 2017	2018 Additions	2018 Disposals	2018 Write-downs	Balance December 31, 2018	Balance December 31, 2017	2018 Additions	2018 Disposals	Balance December 31, 2018	2017	2018
Buildings	\$ 192,388	\$ -	\$ -	\$ -	\$ 192,388	\$ 401	\$ 4,809	\$ -	\$ 5,210	\$ 191,987	\$ 187,178
Engineering Structures	2,485,489	-	-	-	2,485,489	277,546	49,710	-	327,256	2,207,943	2,158,233
Machinery & Equipment	706,581	-	-	-	706,581	2,944	35,329	-	38,273	703,637	668,308
	<u>\$ 3,384,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,384,458</u>	<u>\$ 280,891</u>	<u>\$ 89,848</u>	<u>\$ -</u>	<u>\$ 370,739</u>	<u>\$ 3,103,567</u>	<u>\$ 3,013,719</u>