

THE CORPORATION OF THE CITY OF DUNCAN

December 31, 2010

Consolidated Financial Statements

(Audited)

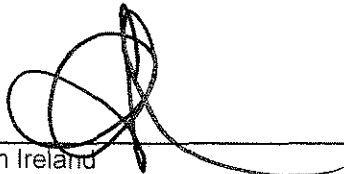
STATEMENT OF RESPONSIBILITY

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 The Canadian Institute of Chartered Accountants.

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.

Hayes Stewart Little & Company 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 generally accepted accounting principles.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right, positioned above a solid horizontal line.

Tom Ireland
Chief Administrative Officer

AUDITOR'S REPORT

To the Mayor and members of Council of the
THE CORPORATION OF THE CITY OF DUNCAN

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Corporation of The City of Duncan, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluation of the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of The City of Duncan as at December 31, 2010 and its financial performance and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

Our audit was made 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 has been subjected to the auditing procedures applied in the audit of 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.

Duncan, BC
April 18, 2011

Hayes Stewart Little & Co.
Chartered Accountants

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THE CORPORATION OF THE CITY OF DUNCAN

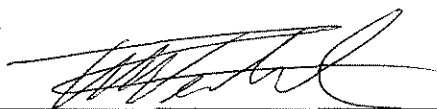
Consolidated Financial Statements For the Year Ended December 31, 2010

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THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2010

	2010	2009
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 10,990,210	\$ 12,220,920
Accounts receivable (Note 4)	1,820,456	2,837,728
Deposit - Municipal Finance Authority (Note 5)	64,528	63,897
	<u>12,875,194</u>	<u>15,122,545</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,293,479	2,054,159
Sick and severance liabilities (Note 10(b))	314,826	287,232
Federal gas tax agreement funds (Note 12)	583,570	483,854
Developer deposits and unearned revenue	770,619	857,555
Reserve - Municipal Finance Authority (Note 5)	64,528	63,897
Long-term debt (Note 7)	1,777,277	1,848,943
Obligations under capital lease (Note 8)	132,413	155,425
Development cost charges reserve (Note 13)	1,788,783	1,841,585
	<u>6,725,495</u>	<u>7,592,650</u>
NET FINANCIAL ASSETS	<u>6,149,699</u>	<u>7,529,895</u>
NON-FINANCIAL ASSETS		
Net tangible capital assets (Schedule 1)	17,794,169	15,682,345
Inventories (Note 2)	142,790	144,828
Prepaid items	19,218	42,001
	<u>17,956,177</u>	<u>15,869,174</u>
ACCUMULATED SURPLUS (Schedule 2)	<u>\$ 24,105,876</u>	<u>\$ 23,399,069</u>

COMMITMENTS AND CONTINGENCIES (NOTE 9)



Director of Finance

See accompanying notes to the financial statements

**THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED STATEMENT OF OPERATIONS
Year Ended December 31, 2010**

	2010 Budget (Note14)	2010 Actual	2009 Actual
REVENUE (Schedule 3)			
Taxation and grants in lieu of taxes	\$ 3,586,654	\$ 3,563,253	\$ 3,223,597
Sales of services and connection fees	2,971,651	2,933,707	2,771,703
Grants	2,505,732	860,045	2,632,998
Licenses, permits, penalties and fines	481,098	474,135	433,736
Capital contributions from developers	-	117,947	182,853
Return on investments	83,000	141,262	336,866
Development cost charges utilized	-	89,400	-
Total revenue	9,628,135	8,179,749	9,581,753
EXPENSES (Schedule 5)			
General government services	1,093,927	988,836	911,967
Protective services	1,532,467	1,582,025	1,342,320
Transportation services	1,076,156	1,461,849	1,366,815
Environmental health services	360,793	310,774	226,804
Environmental development services	162,625	132,865	30,816
Recreation and cultural services	837,810	974,099	1,369,161
Water services	1,116,319	1,070,136	1,069,049
Sewer services	600,749	952,359	592,958
Total expenses	6,780,846	7,472,943	6,909,890
ANNUAL SURPLUS	2,847,289	706,807	2,671,863
ACCUMULATED SURPLUS, BEGINNING OF YEAR	23,399,069	23,399,069	20,727,206
ACCUMULATED SURPLUS , END OF YEAR	\$ 26,246,358	\$ 24,105,876	\$ 23,399,069

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
Year Ended December 31, 2010

	2010 Budget (Note14)	2010 Actual	2009 Actual
ANNUAL SURPLUS	\$ 2,847,289	\$ 706,807	\$ 2,671,863
Acquisition of tangible capital assets	(8,195,572)	(3,074,297)	(2,899,847)
Amortization of tangible capital assets	-	896,971	819,316
Writedown of tangible capital assets (Schedule 5)	-	65,501	198,141
Decrease (increase) in inventories	-	2,038	(42,377)
Decrease (increase) in prepaid items	-	22,784	(73)
	<u>(8,195,572)</u>	<u>(2,087,003)</u>	<u>(1,924,840)</u>
CHANGE IN NET FINANCIAL ASSETS	(5,348,283)	(1,380,196)	747,023
NET FINANCIAL ASSETS, Beginning of Year	<u>7,529,895</u>	<u>7,529,895</u>	<u>6,782,872</u>
NET FINANCIAL ASSETS, End of Year	<u>\$ 2,181,612</u>	<u>\$ 6,149,699</u>	<u>\$ 7,529,895</u>

**THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2010**

	<u>2010</u>	<u>2009</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ 706,807	\$ 2,671,863
Non-cash items included in annual surplus:		
Amortization	896,971	819,316
Write-down of tangible capital assets	65,501	198,141
	<u>1,669,279</u>	<u>3,689,320</u>
Changes in non-cash items:		
Amounts receivable	1,017,272	(600,942)
Inventories	2,038	(42,377)
Prepaid items	22,783	(73)
Accounts payable and accrued liabilities	(760,677)	1,578,190
Severance and severance liability	27,594	3,988
Federal gas tax agreement funds	99,716	196,510
Developer deposits and unearned revenue	(86,936)	97,386
Development cost charges reserve	(52,802)	95,663
	<u>1,938,267</u>	<u>5,017,665</u>
CASH PROVIDED BY OPERATING TRANSACTIONS	<u>1,938,267</u>	<u>5,017,665</u>
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(3,074,297)	(2,899,847)
FINANCING TRANSACTIONS		
Proceeds of long-term debt	-	1,450,000
Repayment of obligation under capital lease	(23,012)	(30,654)
Debt repayment	(71,668)	(67,815)
	<u>(94,680)</u>	<u>1,351,531</u>
CASH APPLIED TO FINANCING TRANSACTIONS	<u>(94,680)</u>	<u>1,351,531</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,230,710)</u>	<u>3,469,349</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,220,920</u>	<u>8,751,571</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,990,210</u>	<u>\$ 12,220,920</u>

THE CORPORATION OF THE CITY OF DUNCAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2010

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 generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

a) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services.

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures and changes in fund balances and financial position of the City of Duncan. These consolidated 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 several partnership agreements in place, and as such, consistent with generally accepted accounting treatment for government partnerships, the following local agencies, boards and commissions are accounted for on a proportionate consolidation basis whereby the City's pro-rata share of each of the assets, liabilities, revenues and expenses are combined on a line by line basis in the financial statements. Inter-partnership balances and transactions have been eliminated. The government partnerships include:

Pioneer Complex Committee	16%
Duncan-North Cowichan Joint Utilities Board	33%
Aquannis Pool	12%

Although the City of Duncan has partial ownership in the Cowichan Aquatic Centre, since the City has limited influence in the operations of the Centre, the City has recorded all costs for the Aquatic Centre on a cost basis.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments.

THE CORPORATION OF THE CITY OF DUNCAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2010

2. Significant Accounting Policies (continued)

d) Short Term Investments

Short term investments are accounted for at the lower of cost and market value

e) Inventory

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

f) Non-Financial Assets

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

g) 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.

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	10-20 years
Machinery, equipment and furniture	5-15 years
Maintenance and road construction equipment	15 years
Computer Hardware and Software	5 years

Infrastructure Assets

Transportation	
Land	Indefinite
Road surface	10 to 20 years
Road grade	60 years
Sidewalk surface	20 to 30 years
Sidewalk grade	60 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

**THE CORPORATION OF THE CITY OF DUNCAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2010**

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 of Duncan Totem collection has been recorded as capital assets due to their integral relationship to the economic and tourism strategy and identity of the City. 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.

h) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to the ownership or property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

i) Revenue Recognition

Revenues are recognized as they are earned and measurable.

Government transfers are recognized in the financial statements in the period which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

Deferred revenue represents user charges and other fees which have been collected, for which the related services have yet to be provided. These amounts will be recognized as revenue in the fiscal year the services are provided.

j) Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 determination of accrued sick benefits, collectability of accounts receivable, accrued liabilities and contingencies. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known.

THE CORPORATION OF THE CITY OF DUNCAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2010

3. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following:

	<u>2010</u>	<u>2009</u>
Cash	\$ 173,058	\$ 502,363
Short-term Investments	<u>10,817,152</u>	<u>11,718,557</u>
	<u>\$ 10,990,210</u>	<u>\$ 12,220,920</u>

Short term investments are comprised of term deposits and investments with the Municipal Finance Authority.

Included in cash and short term deposits are the following restricted amounts that can only be expended in accordance with the terms of the Reserve Fund established due to external legislation or agreements (see Schedule 8)

	<u>2010</u>	<u>2009</u>
Restricted short term deposits	<u>\$ 2,733,481</u>	<u>\$ 2,681,138</u>

4. Accounts Receivable

	<u>2010</u>	<u>2009</u>
Property taxes	\$ 143,523	\$ 234,286
Government grants	380,786	444,257
Water and sewer receivables	462,398	445,343
Federal Government - HST	84,370	85,990
Provincial Government	36,987	-
Other municipalities and regional governments	669,572	1,460,367
Other receivables	<u>67,463</u>	<u>192,128</u>
	1,845,099	2,862,371
Less allowances for doubtful amounts	<u>(24,643)</u>	<u>(24,643)</u>
	<u>\$ 1,820,456</u>	<u>\$ 2,837,728</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>2010</u>	<u>2009</u>
Cash deposits	\$ 20,028	\$ 19,398
Demand notes	<u>44,500</u>	<u>44,499</u>
	<u>\$ 64,528</u>	<u>\$ 63,897</u>

THE CORPORATION OF THE CITY OF DUNCAN
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 As at December 31, 2010

6. Accounts Payable and Accrued Liabilities

	<u>2010</u>	<u>2009</u>
Trade accounts and accrued liabilities	\$ 516,201	\$ 434,491
Provincial government	38,938	184,663
Contractor holdbacks	26,221	138,166
Salaries and wages	76,360	72,666
Other governments	635,759	1,224,173
	<u>\$ 1,293,479</u>	<u>\$ 2,054,159</u>

7. Long Term Debt

	<u>2010</u>	<u>2009</u>
General Fund:		
Short term capital borrowing for the 2008 Cowichan Aquatic Centre, interest at prime less 1.25%	\$ 1,450,000	\$ 1,450,000
Debenture debt for 2002 Fire Truck, interest at 5.90%, maturing 2012 - MFA Issue #77	68,628	100,510
	<u>1,518,628</u>	<u>1,550,510</u>
Sewer and Water Utility Funds:		
Debenture debt for water fund - Gibbins Rd Reservoir, interest at 4.50%, maturing 2011 - MFA Issue # 51	19,564	38,196
Debenture debt for sewer fund - 1999 Lagoon Improvements, interest at 3.15%, maturing 2019 - MFA Issue #70	239,085	260,237
	<u>258,649</u>	<u>298,433</u>
	<u>\$ 1,777,277</u>	<u>\$ 1,848,943</u>

Principal payments in the next five years are as follows:

2011	\$ 96,624
2012	88,881
2013	66,223
2014	66,223
2015	66,223
	<u>\$ 384,174</u>

THE CORPORATION OF THE CITY OF DUNCAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2010

8. Obligation Under Capital Lease

MFA lease payable for a 2005 Fire Truck, repayable at \$2,617.32 per month including interest at 1.25%, due April 28, 2015 with a final payment of \$2,617.11.

Future minimum lease payments under the capital lease together with the obligation due under the capital lease are as follows:

2011	\$	31,408
2012		31,408
2013		31,408
2014		31,408
2015		13,323
Total minimum lease payments		138,955
Less amount representing future interest at 1.25%		(6,542)
Balance of obligation	\$	<u>132,413</u>

Interest expense includes \$4,462 (2009 - \$8,131) with respect to this obligation.

Assets under capital lease includes the 2005 fire truck as follows:

	<u>2010</u>	<u>2009</u>
Cost of leased tangible capital asset	\$ 358,683	\$ 358,683
Accumulated amortization of leased tangible capital asset	<u>(107,605)</u>	<u>(89,671)</u>
	<u>\$ 251,078</u>	<u>\$ 269,012</u>

Amortization expense includes \$17,934 (2009 - \$17,934) on leased tangible capital assets.

9. Commitments, Contingencies and Subsequent Events

a) Commitment:

The Cowichan Aquatic Centre is jointly owned by the City of Duncan and the District 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 operating 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 District and each member municipality within the District, including The Corporation of the City of Duncan.

c) Leasehold improvements

The City leases the Margaret Moss Building to the Vancouver Island Health Authority (VIHA) and has committed to provide funds for leasehold improvements of \$171,600 to the Margaret Moss building during the lease. Over the four year term of the lease VIHA will pay \$253,884 in rent payments to the City.

THE CORPORATION OF THE CITY OF DUNCAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2010

d) Union Contract

The City's contract with the Canadian Union of Public Employees (CUPE) Local 358 expired on December 31, 2009. The parties have not yet begun talks to update the contract.

e) New Garbage Truck

Subsequent to year end, the City took delivery of a new Labrie Expert 2000T split compartment garbage truck to begin the Curbside Organics Collection program in April. The old 1997 Labrie truck was traded in and the net cost for the new truck was \$227,251 plus HST.

10. Retirement Benefits

a) Pension Liability:

The municipality and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. The City of Duncan paid \$114,449 (2009 - \$105,506) for employer contributions to the plan in fiscal 2010.

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 and one half and 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 2.3%
- discount rate is 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, 2010 is \$314,826 (2009 - \$287,232). The total sick leave expense including pay out for sick time and severance on retirement for 2010 is \$66,894 (2009 - \$40,181).

THE CORPORATION OF THE CITY OF DUNCAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2010

11. Financial Instruments

The City as part of its operations carries a number of financial instruments. It is management's opinion that the City is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

12. Federal Gas Tax Agreement Fund

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 public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements. These amounts are recognized as revenue in the period in which the corresponding expenditures are incurred.

Federal Gas Tax Agreement Funds:

	<u>2010</u>	<u>2009</u>
Opening balance of unspent funds	\$ 483,854	\$ 287,344
Add: amount received during the year	92,006	186,098
Add: interest earned during the year	<u>7,710</u>	<u>10,412</u>
Closing balance of unspent funds	<u>\$ 583,570</u>	<u>\$ 483,854</u>

13. Development Cost Charges Reserve

Receipts that are restricted by the legislation of senior governments are 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 or agreement with external parties. These amounts are recognized as revenue in the period in which corresponding expenditures are incurred.

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 1,841,585	\$ 1,745,922
Contributions from developers	8,490	31,615
Used during the year	(89,400)	-
Return on investments	<u>28,108</u>	<u>64,048</u>
Balance, end of the year	<u>\$ 1,788,783</u>	<u>\$ 1,841,585</u>

THE CORPORATION OF THE CITY OF DUNCAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2010

14. Budget Data

The budget data presented in these consolidated financial statements is based upon the 2010 operating and capital budgets approved by Council on May 10, 2010. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to budget figures reported in these consolidated financial statements.

Financial Plan Bylaw surplus for the year	\$	-
Add back:		
Principal debt repayments		125,202
Transfers to Reserves		70,111
Capital expenditures		8,195,572
Less:		
Budgeted transfers from accumulated surplus		
General		(786,815)
Water		(30,000)
Sewer		(477,800)
Capital		(381,666)
Budgeted transfers from own reserves		
General Capital		(2,721,965)
Water		(798,600)
Debt Proceeds		(346,750)
Adjusted Annual Surplus	<u>\$</u>	<u>2,847,289</u>

15. Debentures

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.

THE CORPORATION OF THE CITY OF DUNCAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at December 31, 2010

16. Segmented Information

The City is a diversified municipal government institution that provides a wide range of services to its citizens such as roads, water, sewer and drainage infrastructure, fire protection, police protection (RCMP), recreation, garbage collection and parkland. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government:

Corporate Services and Finance departments. These departments provide the communications link between Council and other Municipal Departments and the general public, providing assistance and advice to citizens with respect to Council/Committee processes, reporting procedures and decisions.

Protective Services:

Fire protection, policing, bylaw enforcement and building inspection.

Bylaw enforcement administers, monitors, and seeks compliance with the bylaws enacted by the Mayor and Council to regulate the conduct of affairs in the City of Duncan.

Policing is provided under contract with the RCMP

Fire protection is provided by the Duncan Volunteer Fire Department.

The Building Department maintains the quality of life for citizens by regulating all construction within the City, using the City's Building Bylaw, the BC Building Code, the BC Fire Code, and other related bylaws and enactments of the City of Duncan including the development permit guidelines within the Official Community Plan.

Transportation:

Transportation is responsible for the essential services to the City:

Providing and maintaining the City's roads, sidewalks, street lights, signage and line markings, storm drainage and hydrants.

Parking control is also included under Transportation.

Transportation includes the maintenance of a separate system of underground pipes for storm water.

Environment and Public Health

Environmental Health is primarily the garbage collection and recycling programs operating in the City of Duncan and also includes the operating of the public washrooms on Canada Avenue. Garbage collection is performed by the City crews and recycling collection is performed by a contractor. Also included in Environmental Health are any environmental programs of the City, such as the expenditures of the City's Environment Committee, and the 2010 Woodstove Changeout Program.

Development Services

Development Services provides short-term and long-term planning services.

Long-term planning includes work with the community on reviewing the City's Official Community Plan and other long term plans and strategies, and the review and updating of relevant bylaws. Short-term planning includes the processing of subdivision and development applications. Up to the end of 2010 the functions of Development services were accomplished by a combination of other departments and consultants.

THE CORPORATION OF THE CITY OF DUNCAN
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 As at December 31, 2010

16. Segmented Information (continued)

Recreation and Culture

Recreation and Culture contributes to the quality of life and personal wellness of the community through the provision of a variety of programs, services and facilities. The City's various parks, including the Centennial Park Spray Park, McAdam Park, Rotary Park and Trails, City Square, and the City's financial contributions to the Cowichan Aquatic Centre, Kinsmen Park, Pioneer Park Ball Fields, and Vancouver Island Regional Library are included in Recreation and Culture.

Water and Sewer Services

Water and sewer services include the operations and maintenance of the City's Water and Sewer systems. The City's water system serves approximately 15,000 people, extending into portions of the District of North Cowichan, the Cowichan Valley Regional District Electoral areas D and E, and also Cowichan Tribes. The City has four well sites, and two reservoirs for water distribution.

The City maintains a separate system of underground pipes to collect sewer and waste water for treatment at the Joint Utilities Board (JUB) Lagoons that are jointly owned with the District of North Cowichan.

The City's proportional costs of maintaining the JUB Lagoons is included in Sewer services.

Capital funding

Reflects the monies required to fund capital projects during a fiscal year. Included in capital funding are transfers from restricted reserves, grants, donations, investment income and proceeds from sale of real property.

17. Operating Expenses By Object

	2010	2009
Amortization	\$ 896,971	\$ 819,316
Capital fund expenses	353,805	369,026
Contract services	1,947,484	1,542,282
Fuel	73,755	77,432
Goods and services	936,190	874,050
Grants in Aid	96,206	100,754
Hydro	262,586	237,570
Insurance	97,026	112,175
Interest	70,700	107,961
Leases	16,298	14,843
Professional fees	123,943	105,029
Regional Library	159,252	154,344
Travel, conference and training	88,970	59,524
Wages	2,304,429	2,162,155
Loss on disposal and write down of tangible capital assets	65,501	198,141
Actuarial adjustment to debt	(20,173)	(24,712)
	<u>\$ 7,472,943</u>	<u>\$ 6,909,890</u>

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
Year Ended December 31, 2010

SCHEDULE 1

	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	2010	2009
Cost											
Opening costs	\$ 1,346,530	\$ 1,644,664	\$ 4,543,270	\$ 4,029,165	\$ 2,448,861	\$ 11,705,444	\$ 7,709,145	\$ 2,487,875	\$ 179,384	\$ 36,094,335	\$ 34,171,213
Additions during the year	-	289,487	203,892	87,216	10,087	923,013	834,320	11,432	854,791	3,214,238	2,951,313
Disposals and write downs	-		(5,558)	(282,000)		(250,493)	(98,740)		(139,941)	(776,732)	(976,724)
Capitalization of assets under construction	-										(51,468)
Closing costs	1,346,530	1,934,151	4,741,604	3,834,381	2,458,948	12,377,964	8,444,725	2,499,307	894,234	38,531,841	36,094,335
Accumulated Amortization											
Opening accumulated amortization	-	407,264	2,354,441	1,961,630	1,379,702	8,790,927	3,995,631	1,522,395	-	20,411,990	20,371,258
Amortization:											
General Government			10,019	6,573						16,592	16,379
Protective Services			9,542	102,386						111,928	158,524
Transportation		15,142	2,698	82,831	37,628	307,848				446,147	402,920
Environmental Health		57,024	73,262	14,860		4,022				149,168	
Water		677	592	10,544			122,497			134,310	124,160
Sewer			1,224	2,000				35,603		38,827	47,222
Environmental Development Recreation and Cultural										-	70,111
Total amortization	-	72,843	97,337	219,194	37,628	311,870	122,497	35,603	-	896,972	819,316
Disposals and write downs			(5,558)	(254,710)		(238,927)	(72,095)			(571,290)	(778,584)
Closing accumulated amortization	-	480,107	2,446,220	1,926,114	1,417,330	8,863,870	4,046,033	1,557,998	-	20,737,672	20,411,990
Net Book Value of Tangible Capital Assets	\$ 1,346,530	\$ 1,454,044	\$ 2,295,384	\$ 1,908,267	\$ 1,041,618	\$ 3,514,094	\$ 4,398,692	\$ 941,309	\$ 894,234	\$ 17,794,169	\$ 15,682,345

THE CORPORATION OF THE CITY OF DUNCAN
 Consolidated Schedule of Accumulated Surplus
 Year Ended December 31, 2010

SCHEDULE 2

	2010	2009
OPERATING FUNDS		
Unappropriated		
General	\$ 610,625	\$ 1,551,387
Waterworks Utility	1,696,538	1,207,139
Sewer Utility	581,373	607,793
Joint Parks Unappropriated	7,700	3,200
Total Unappropriated	2,896,236	3,369,519
Appropriated		
General:		
Joint Parks and Aquannis Pool Reserve	36,300	46,200
Waterworks Utility:		
Reserve for future expenditure	73,399	72,296
Reserve for uncollectable amounts	7,508	7,508
Sewer Utility:		
Joint Utilities Board Reserve	197,475	330,720
Total Appropriated	314,682	456,724
Total Operating Funds	3,210,918	3,826,243
CAPITAL FUNDS		
General Capital	154,488	152,167
Waterworks Utility	433,932	427,410
Sewer Utility	79,458	78,264
Total Capital Funds	667,878	657,841
NET INVESTMENT IN TANGIBLE CAPITAL ASSETS		
Net book value tangible capital assets (Schedule 1)	17,794,169	15,682,345
Less: Long term debt	(1,777,277)	(1,848,943)
Less: Obligation under capital lease	(132,413)	(155,425)
Net Investment in Tangible Capital Assets	15,884,479	13,677,977
RESERVE FUNDS		
Sale of real property	288,029	283,700
Sale of property - held in trust by District of North Cowichan	643,895	1,404,806
Parking improvement	499,990	507,070
Parking improvement - Restricted	73,099	71,999
Machinery and equipment	1,435,579	1,135,081
Capital works reserve	107,499	311,296
Public art reserve	26,860	26,032
Waterworks Utility	663,393	998,105
Sewer Utility	675,262	665,114
Temporary use of capital fund	(71,005)	(166,195)
Total Reserve Funds	4,342,601	5,237,008
Total Accumulated Surplus	\$ 24,105,876	\$ 23,399,069

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED SCHEDULE OF REVENUES
Year Ended December 31, 2010

SCHEDULE 3

	2010 Budget	2010 Actual	2009 Actual
Taxation and Grants in Lieu of Taxes			
Property taxes - General	\$ 2,749,481	\$ 2,727,914	\$ 2,633,761
Property taxes - Policing	676,240	673,972	428,072
	<u>3,425,721</u>	<u>3,401,886</u>	<u>3,061,833</u>
Special assessments:			
Business improvement area (BIA)	160,000	160,000	155,000
Utilities	106,813	106,812	102,819
Frontage and parcel taxes	42,820	43,040	42,860
	<u>309,633</u>	<u>309,852</u>	<u>300,679</u>
	<u>3,735,354</u>	<u>3,711,738</u>	<u>3,362,512</u>
Grants in lieu of taxation:			
Federal government	8,300	10,038	9,818
Provincial government	3,000	1,477	6,267
	<u>11,300</u>	<u>11,515</u>	<u>16,085</u>
Collection for other governments:			
School authorities tax levy	1,903,609	1,977,160	1,956,332
Provincial policing levy	-	-	-
Cowichan Valley Regional District levy	955,233	955,233	927,210
Regional hospital district	187,335	187,335	150,548
	<u>3,046,177</u>	<u>3,119,728</u>	<u>3,034,090</u>
Joint boards and commissions:			
Municipal Finance Authority	158	158	155
British Columbia Assessment Authority	58,337	58,140	56,520
Subtotal	<u>58,495</u>	<u>58,298</u>	<u>56,675</u>
Less: Transfers to other governments	<u>(3,104,672)</u>	<u>(3,178,026)</u>	<u>(3,090,765)</u>
Less: Transfers to BIA	<u>(160,000)</u>	<u>(160,000)</u>	<u>(155,000)</u>
Total Taxation and Grants in Lieu of Taxes	<u><u>3,586,654</u></u>	<u><u>3,563,253</u></u>	<u><u>3,223,597</u></u>

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED SCHEDULE OF REVENUES
Year Ended December 31, 2010

SCHEDULE 3

	2010 Budget	2010 Actual	2009 Actual
Sale of Services			
General Revenue Fund			
Garbage fees	177,800	177,287	178,353
Cowichan Tribes fire service agreement	76,000	78,057	76,870
Eagle Heights fire protection	160,000	130,060	136,528
Other fire protection	-	500	9,567
Administration recoveries	10,000	15,030	20,919
Public Works miscellaneous recoveries	13,000	14,040	14,461
Cowichan Tribes roads contribution	-	314	365
Sports fields	14,000	14,101	15,060
	<u>450,800</u>	<u>429,389</u>	<u>452,123</u>
Waterworks Utility Revenue Fund			
Sale of water	1,409,720	1,467,581	1,364,459
Service charges	20,100	25,253	25,606
Water studies	-	2,509	5,502
	<u>1,429,820</u>	<u>1,495,343</u>	<u>1,395,567</u>
Sewer Utility Revenue Fund			
Sewer rentals	679,931	724,783	658,430
Service charges	100	183	49
	<u>680,031</u>	<u>724,966</u>	<u>658,479</u>
Capital Connection Fees and capital donations			
General Capital	134,000	27,384	14,648
Water Capital	276,000	65,650	157,889
Sewer Capital	1,000	11,432	34,407
	<u>411,000</u>	<u>104,466</u>	<u>206,944</u>
Assets Constructed by Developers			
Water Capital	-	179,543	58,590
	<u>-</u>	<u>179,543</u>	<u>58,590</u>
Total Sale of Services	<u>2,971,651</u>	<u>2,933,707</u>	<u>2,771,703</u>

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED SCHEDULE OF REVENUES
Year Ended December 31, 2010

SCHEDULE 3

	2010 Budget	2010 Actual	2009 Actual
Licences, Permits, Rentals and Penalties			
Trade licenses	68,000	64,289	69,056
Delivery vehicle licenses	1,500	38	2,547
Building permits and other fees	37,400	18,369	52,403
Dog licenses	5,000	5,796	5,223
	<u>111,900</u>	<u>88,492</u>	<u>129,229</u>
Equipment charges less operating costs	123,635	90,355	64,241
Parking fines	19,282	24,830	14,773
Parking permits and revenues	57,400	52,843	39,030
Rentals	124,481	128,967	75,713
Penalties and interest on taxes	33,000	41,672	38,274
	<u>357,798</u>	<u>338,667</u>	<u>232,031</u>
Donations and contributions	-	18,350	59,668
Other revenues and fees	11,400	28,626	12,808
	<u>11,400</u>	<u>46,976</u>	<u>72,476</u>
Total Licences, Permits, Rentals and Penalties	<u>481,098</u>	<u>474,135</u>	<u>433,736</u>

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED SCHEDULE OF REVENUES
Year Ended December 31, 2010

SCHEDULE 3

	2010 Budget	2010 Actual	2009 Actual
Other Income			
Investment income:			
General Fund	44,000	29,807	66,276
Waterworks Fund	25,000	17,457	36,326
Sewer Fund	14,000	9,001	17,643
Reserve Fund	-	74,959	193,522
General Capital Fund	-	2,322	5,343
Water Capital Fund	-	6,522	15,008
Sewer Capital Fund	-	1,194	2,748
	83,000	141,262	336,866
Development Cost Charges Utilized			
Roads	-	89,400	-
Capital Contributions from developers			
Water CCCs	-	117,947	176,509
Sewer CCCs	-	-	6,344
	-	117,947	182,853
Government grants			
Capital Grants			
General Capital	962,667	394,975	1,008,127
Water Capital	533,333	-	-
Unconditional Transfers from Other Governments			
Provincial Revenue Sharing	534,000	147,843	931,117
Conditional Transfers from Other Governments			
Federal government	-	-	20,787
Provincial government	368,857	260,552	649,326
Cowichan Valley Regional District	-	2,129	14,000
Lake Cowichan	43,000	42,046	8,047
District of North Cowichan	12,500	12,500	1,594
Town of Ladysmith	51,375	-	-
	2,505,732	860,045	2,632,998
Total revenue	\$ 9,628,135	\$ 8,179,749	\$ 9,581,753

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED SCHEDULE OF EXPENSES
Year Ended December 31, 2010

SCHEDULE 4

	2010 Budget	2010 Actual	2009 Actual
General government services:			
Legislative	\$ 98,150	\$ 93,813	\$ 97,852
General administrative:			
Office salaries and benefits	644,000	610,389	536,456
Travel, conventions and receptions	49,537	53,598	32,758
Sick leave and severance expense	40,000	66,894	40,181
Computer services	38,000	52,626	41,398
Legal	14,000	25,168	10,779
Accounting and audit	20,000	40,130	34,000
Communications and consulting	65,951	58,374	18,174
City Hall maintenance and operation	78,900	84,548	75,306
Office supplies	33,000	42,698	30,013
Telephone and postage	18,700	14,450	19,121
Advertising	8,000	11,359	6,027
Insurance	59,500	43,184	56,782
Internal recoveries	(348,610)	(348,610)	(319,790)
	<u>720,978</u>	<u>754,808</u>	<u>581,205</u>
Other:			
Grants to organizations	24,618	22,900	22,200
Operation and maintenance	4,500	3,333	3,890
Senior citizen sewer and water rebates	2,500	1,179	1,811
Tourism	94,200	70,181	163,904
Sundry	3,000	4,794	3,932
Margaret Moss building	136,981	-	-
General elections	5,000	-	-
	<u>270,799</u>	<u>102,387</u>	<u>195,737</u>
Total general government services	<u>1,089,927</u>	<u>951,008</u>	<u>874,794</u>

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED SCHEDULE OF EXPENSES
Year Ended December 31, 2010

SCHEDULE 4

	2010 Budget	2010 Actual	2009 Actual
Protective services:			
Police	1,036,367	987,999	681,023
Fire:			
Chief and officers honorarium	17,400	19,065	15,927
Call pay	120,000	90,251	126,985
Training	20,000	20,692	17,618
Firemen's WCB and insurance	9,000	7,617	8,659
Telephone and radio alarm system	9,900	8,133	9,488
Fire hall operation and maintenance	32,700	29,386	23,691
Vehicle operation and maintenance	33,760	35,562	38,024
Fire investigation and prevention	14,500	17,022	15,338
Hydrant rental	9,000	10,568	9,624
Other	45,990	45,509	46,712
	<u>312,250</u>	<u>283,805</u>	<u>312,066</u>
Other protection:			
Animal control	16,200	18,158	16,200
Building inspection:			
Salaries and benefits	100,500	81,161	81,796
Travel and transportation	2,900	3,672	5,862
Other	5,850	2,173	2,012
Flood Control	900	1,848	1,210
Cowichan River Flooding	-	537	82,032
Evening patrols and security cameras	31,000	32,720	23,998
	<u>157,350</u>	<u>140,269</u>	<u>213,110</u>
Total protective services	<u>1,505,967</u>	<u>1,412,073</u>	<u>1,206,199</u>

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED SCHEDULE OF EXPENSES
Year Ended December 31, 2010

SCHEDULE 4

	2010 Budget	2010 Actual	2009 Actual
Transportation services:			
Common services:			
Public works administration salaries and benefits	291,000	265,565	260,275
Other administration costs	75,600	71,438	55,693
Operation and maintenance of workshop and yard	56,975	54,706	56,639
Small tools and equipment	6,230	5,336	5,567
Engineering	87,000	76,299	70,418
Public works administration recoveries	(202,620)	(202,620)	(184,200)
	<u>314,185</u>	<u>270,724</u>	<u>264,392</u>
Road transport:			
Street maintenance	84,300	56,101	69,887
Sidewalk maintenance	72,000	77,971	65,027
Drainage	44,700	49,389	45,032
Street sweeping	73,050	67,326	70,734
Snow removal	85,700	42,567	85,523
Boulevard and median maintenance	85,700	74,747	79,642
Totem maintenance	52,821	59,671	3,379
Traffic lines and signs	76,500	69,878	72,375
Street lighting	69,600	75,746	67,481
Traffic light maintenance and control	32,000	21,754	25,821
Off street free parking lots	11,100	10,243	6,108
Special projects	500	5,518	3,475
	<u>687,971</u>	<u>610,911</u>	<u>594,484</u>
Parking:			
Parking control	61,400	59,082	53,528
Parking lots and areas	11,600	13,917	8,474
	<u>73,000</u>	<u>72,999</u>	<u>62,002</u>
Other:			
Other bylaw enforcement	1,000	(220)	-
Paratransit costs	-	-	3,477
	<u>1,000</u>	<u>(220)</u>	<u>3,477</u>
Total transportation services	<u>1,076,156</u>	<u>954,414</u>	<u>924,355</u>

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED SCHEDULE OF EXPENSES
Year Ended December 31, 2010

SCHEDULE 4

	2010 Budget	2010 Actual	2009 Actual
Environmental health services:			
Solid waste collection and disposal	228,500	237,051	187,270
Comfort stations	18,135	20,996	18,384
Mosquito control	-	-	3,329
Environmental Programs	113,358	43,811	14,858
Other	800	425	106
	<u>360,793</u>	<u>302,283</u>	<u>223,947</u>
Environmental development services:			
Planning salaries and benefits	126,000	107,477	12,304
Materials and contracted services	36,625	25,388	18,512
	<u>162,625</u>	<u>132,865</u>	<u>30,816</u>
Recreation and cultural services:			
General Parks and Playgrounds	393,908	380,489	315,490
Joint Parks Contributions	22,000	23,450	29,000
Aquannis Centre - Municipality of North Cowichan	-	-	3,627
Cowichan Aquatic Centre - Municipality of North Cowichan	185,000	188,688	182,889
Library	159,252	159,252	154,344
Senior Citizens' Activity Centre	3,650	4,867	3,061
Museum	7,500	7,704	-
	<u>771,310</u>	<u>764,450</u>	<u>688,411</u>
Interest			
Interest in General Fund			
General Government	4,000	606	237
Protective Services	26,500	21,733	25,402
Recreation and Cultural Services	66,500	23,610	52,658
	<u>97,000</u>	<u>45,949</u>	<u>78,297</u>
Interest in Waterworks Fund	12,000	11,520	11,520
Interest in Sewer Fund	23,100	13,230	18,144
	<u>132,100</u>	<u>70,699</u>	<u>107,961</u>
Water and sewer services			
Waterworks	1,104,319	903,201	937,343
Sewer	577,649	547,203	527,375
	<u>1,681,968</u>	<u>1,450,404</u>	<u>1,464,718</u>
Other			
Amortization	-	896,971	819,316
Capital expense	-	353,805	369,026
Write down of and loss on disposition of tangible capital assets	-	65,501	198,141
Actuarial debt adjustment	-	(20,173)	(24,712)
	<u>-</u>	<u>1,296,104</u>	<u>1,361,771</u>
Total expenses	<u>\$ 6,780,846</u>	<u>\$ 7,334,300</u>	<u>\$ 6,882,972</u>

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED STATEMENT OF OPERATIONS BY PROGRAM
Year Ended December 31, 2010

SCHEDULE 5

	General Government		Protective Services		Transportation Services		Environmental Health Services		Environmental Development Services	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
REVENUE										
Taxation and grants in lieu of taxes	\$ 3,563,253	\$ 3,223,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales of services and connection fees	42,414	35,567	208,617	222,965	14,354	14,826	177,287	178,353	-	-
Grants	465,070	1,045,077	-	579,794	394,975	590,000	-	-	-	-
Licenses, permits, penalties and fines	335,614	263,703	-	57,626	138,521	112,407	-	-	-	-
Capital contributions from developers	-	-	-	-	-	-	-	-	-	-
Return on investments	107,088	265,141	-	-	-	-	-	-	-	-
Development cost charges utilized	-	-	-	-	89,400	-	-	-	-	-
Total revenue	\$ 4,513,439	\$ 4,833,085	\$ 208,617	\$ 860,385	\$ 637,250	\$ 717,233	\$ 177,287	\$ 178,353	\$ -	\$ -
EXPENSES										
Operating expenses	\$ 951,008	\$ 874,794	\$ 1,412,073	\$ 1,206,199	\$ 954,414	\$ 924,355	\$ 302,283	\$ 223,947	\$ 132,865	\$ 30,816
Capital fund expenses	20,629	20,557	11,054	4,253	49,723	39,494	8,491	2,857	-	-
Amortization	16,593	16,379	111,928	114,172	446,146	402,920	-	-	-	-
Interest	606	237	21,733	25,402	-	-	-	-	-	-
Loss on disposition of capital assets	-	-	27,290	-	11,566	46	-	-	-	-
Actuarial adjustment to debt	-	-	(2,053)	(7,706)	-	-	-	-	-	-
Total expenses	\$ 988,836	\$ 911,967	\$ 1,582,025	\$ 1,342,320	\$ 1,461,849	\$ 1,366,815	\$ 310,774	\$ 226,804	\$ 132,865	\$ 30,816
Surplus (Deficit)	\$ 3,524,603	\$ 3,921,118	\$ (1,373,408)	\$ (481,935)	\$ (824,599)	\$ (649,582)	\$ (133,487)	\$ (48,451)	\$ (132,865)	\$ (30,816)

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

THE CORPORATION OF THE CITY OF DUNCAN
CONSOLIDATED STATEMENT OF OPERATIONS BY PROGRAM
Year Ended December 31, 2010

SCHEDULE 5

	Recreation and Cultural Services		Water Services		Sewer Services		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
REVENUE								
Taxation and grants in lieu of taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,563,253	\$ 3,223,597
Sales of services and connection fees	14,101	15,060	1,560,993	1,553,456	915,941	751,476	2,933,707	2,771,703
Grants	-	418,127	-	-	-	-	860,045	2,632,998
Licenses, permits, penalties and fines	-	-	-	-	-	-	474,135	433,736
Capital contributions from developers	-	-	117,947	176,509	-	6,344	117,947	182,853
Return on investments	-	-	23,979	51,334	10,195	20,391	141,262	336,866
Development cost charges utilized	-	-	-	-	-	-	89,400	-
Total revenue	\$ 14,101	\$ 433,187	\$ 1,702,919	\$ 1,781,299	\$ 926,136	\$ 778,211	\$ 8,179,749	\$ 9,581,753
EXPENSES								
Operating expenses	\$ 769,850	\$ 723,811	\$ 903,201	\$ 937,343	\$ 680,446	\$ 518,893	\$ 6,106,140	\$ 5,440,158
Capital fund expenses	31,471	283,201	5,351	2,962	227,086	15,702	353,805	369,026
Amortization	149,168	114,463	134,309	124,160	38,827	47,222	896,971	819,316
Interest	23,610	52,658	11,520	11,520	13,230	18,144	70,699	107,961
Loss on disposition of capital assets	-	195,028	26,645	3,067	-	-	65,501	198,141
Actuarial adjustment to debt	-	-	(10,890)	(10,003)	(7,230)	(7,003)	(20,173)	(24,712)
Total expenses	\$ 974,099	\$ 1,369,161	\$ 1,070,136	\$ 1,069,049	\$ 952,359	\$ 592,958	\$ 7,472,943	\$ 6,909,890
Surplus (Deficit)	\$ (959,998)	\$ (935,974)	\$ 632,783	\$ 712,250	\$ (26,222)	\$ 185,253	\$ 706,807	\$ 2,671,863

THE CORPORATION OF THE CITY OF DUNCAN
 CONSOLIDATED DETAILS AND RECONCILIATION TO CORE GOVERNMENT RESULTS
 Year Ended December 31, 2010

SCHEDULE 6

	The Corporation of The City of Duncan		Joint Utility Board		Pioneer Complex Committee		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
STATEMENT OF FINANCIAL POSITION								
Cash and Cash Equivalents	\$ 10,748,735	\$ 11,840,800	\$ 197,475	\$ 330,720	\$ 44,000	\$ 49,400	\$ 10,990,210	\$ 12,220,920
Accumulated Surplus	\$ 23,864,401	\$ 23,018,949	\$ 197,475	\$ 330,720	\$ 44,000	\$ 49,400	\$ 24,105,876	\$ 23,399,069
STATEMENT OF OPERATIONS								
Sewer services	\$ 547,203	\$ 527,375	\$ 133,243	\$ (8,482)	\$ -	\$ -	\$ 680,446	\$ 518,893
Recreation and cultural services	\$ 764,450	\$ 688,411	\$ -	\$ -	\$ 5,400	\$ 35,400	\$ 769,850	\$ 723,811

THE CORPORATION OF THE CITY OF DUNCAN
 Equity in Tangible Capital Assets
 Year Ended December 31, 2010

SCHEDULE 7

	<u>2010</u>	<u>2009</u>
NET INVESTMENT IN TANGIBLE CAPITAL ASSETS		
Net Investment in Tangible Capital Assets, beginning of year	\$ 13,677,977	\$ 13,147,121
Add: Tangible capital asset additions	2,894,754	2,841,254
Tangible capital asset additions contributed by developers	179,543	58,590
Debt repayment	74,504	73,757
Actuarial adjustment to debt	20,173	24,712
Less: Amortization	(896,971)	(819,316)
Net book value of tangible capital assets disposed of	(65,501)	(198,141)
Proceeds from long-term debt	-	(1,450,000)
Net Investment in Tangible Capital Assets	<u>\$ 15,884,479</u>	<u>\$ 13,677,977</u>

THE CORPORATION OF THE CITY OF DUNCAN
 SCHEDULE OF CHANGE IN RESERVE FUND BALANCES
 Year Ended December 31, 2010

SCHEDULE 8

	2010 Actual	2009 Actual
REVENUE		
Investment income	\$ 74,959	\$ 193,522
Water capital contributions from developers	117,947	176,509
Sewer capital contributions from developers	-	6,344
NET REVENUES	192,906	376,375
TRANSFERS		
Transfers from operating fund	411,457	483,680
Transfers from (to) general capital fund	(1,029,924)	934,259
Transfers to water capital fund	(468,846)	(49,842)
CHANGE IN RESERVE FUND BALANCES	(894,407)	1,744,472
FUND SURPLUS, BEGINNING OF YEAR	5,237,008	3,492,536
FUND SURPLUS, END OF YEAR	\$ 4,342,601	\$ 5,237,008
SUMMARY OF RESERVE FUND POSITIONS		
Sale of real property	* \$ 288,029	\$ 283,700
Sale of property - held in trust by District of North Cowichan	643,895	1,404,806
Parking improvement	499,990	507,070
Parking improvement - Restricted	* 73,099	71,999
Machinery and equipment	1,435,579	1,135,081
Capital works reserve	107,499	311,296
Public art reserve	26,860	26,032
Water capital cost contributions	321,227	661,082
Water capital reserve	342,166	337,023
Sewer capital cost contributions	66,255	65,260
Sewer capital reserve	609,007	599,854
Temporary use by capital fund	(71,005)	(166,195)
Total Reserve Fund Equity	\$ 4,342,601	\$ 5,237,008
RESERVES HELD AS LIABILITIES		
Federal gas tax agreement funds (Note 12)	* 583,570	483,854
Development cost charges reserve (Note 13)	* 1,788,783	1,841,585
Total Reserve Funds	\$ 6,714,954	\$ 7,562,447

* Restricted Short Term Deposits (Note 3)

THE CORPORATION OF THE CITY OF DUNCAN
 FINANCIAL POSITION FUNDS - Non-Consolidated
 Year Ended December 31, 2010

SCHEDULE 9

	General Fund		General Capital Fund		Reserve Fund		Waterworks Utility Fund	
	2010	2009	2010	2009	2010	2009	2010	2009
FINANCIAL ASSETS								
Cash and cash equivalents	\$ 1,813,136	\$ 3,291,355	\$ 154,489	\$ 152,167	\$ 6,071,059	\$ 6,157,641	\$ 1,631,571	\$ 1,144,064
Accounts receivable	1,650,841	2,668,352	-	-	-	-	152,245	150,395
Due from general fund	-	-	-	-	643,895	1,404,806	-	-
Deposits - Municipal Finance Authority	21,344	21,215	-	-	-	-	22,337	22,058
	<u>\$ 3,485,321</u>	<u>\$ 5,980,922</u>	<u>\$ 154,489</u>	<u>\$ 152,167</u>	<u>\$ 6,714,954</u>	<u>\$ 7,562,447</u>	<u>\$ 1,806,153</u>	<u>\$ 1,316,517</u>
LIABILITIES								
Accounts payable and accrued liabilities	\$ 1,289,331	\$ 2,050,011	\$ -	\$ -	\$ -	\$ -	\$ 3,061	\$ 3,061
Sick leave and severance liabilities	314,826	287,232	-	-	-	-	-	-
Developer deposits and unearned revenue	767,308	853,100	-	-	-	-	3,311	4,455
Due to reserve fund	643,895	1,404,806	-	-	-	-	-	-
Reserve - Municipal Finance Authority	21,344	21,215	-	-	-	-	22,337	22,058
Long-term debt (Note 7)	-	-	-	-	-	-	-	-
Obligations under capital lease (Note 8)	-	-	-	-	-	-	-	-
Federal gas tax agreement funds (Note 12)	-	-	-	-	583,570	483,854	-	-
Development cost charges reserve (Note 13)	-	-	-	-	1,788,783	1,841,585	-	-
	<u>3,036,704</u>	<u>4,616,364</u>	<u>-</u>	<u>-</u>	<u>2,372,353</u>	<u>2,325,439</u>	<u>28,709</u>	<u>29,574</u>
NET FINANCIAL ASSETS	<u>\$ 448,617</u>	<u>\$ 1,364,558</u>	<u>\$ 154,489</u>	<u>\$ 152,167</u>	<u>\$ 4,342,601</u>	<u>\$ 5,237,008</u>	<u>\$ 1,777,444</u>	<u>\$ 1,286,943</u>
NON-FINANCIAL ASSETS								
Tangible capital assets (Schedule 1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventories	142,790	144,828	-	-	-	-	-	-
Prepaid expenses	19,218	42,001	-	-	-	-	-	-
	<u>162,008</u>	<u>186,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ACCUMULATED SURPLUS	<u>\$ 610,625</u>	<u>\$ 1,551,387</u>	<u>\$ 154,489</u>	<u>\$ 152,167</u>	<u>\$ 4,342,601</u>	<u>\$ 5,237,008</u>	<u>\$ 1,777,444</u>	<u>\$ 1,286,943</u>

THE CORPORATION OF THE CITY OF DUNCAN
 FINANCIAL POSITION FUNDS - Non-Consolidated
 Year Ended December 31, 2010

SCHEDULE 9

	Water Capital Fund		Sewer Utility Fund		Sewer Capital Fund		Equity in Capital Assets		2010	2009
	2010	2009	2010	2009	2010	2009	2010	2009	Total	Total
FINANCIAL ASSETS										
Cash and cash equivalents	\$ 433,932	\$ 427,410	\$ 565,090	\$ 589,899	\$ 79,458	\$ 78,264	\$ -	\$ -	\$ 10,748,735	\$ 11,840,800
Accounts receivable	-	-	17,370	18,981	-	-	-	-	1,820,456	2,837,728
Due from general fund	-	-	-	-	-	-	-	-	643,895	1,404,806
Deposits - Municipal Finance Authority	-	-	20,847	20,624	-	-	-	-	64,528	63,897
	<u>\$ 433,932</u>	<u>\$ 427,410</u>	<u>\$ 603,307</u>	<u>\$ 629,504</u>	<u>\$ 79,458</u>	<u>\$ 78,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,277,614</u>	<u>\$ 16,147,231</u>
LIABILITIES										
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 1,087	\$ 1,087	\$ -	\$ -	\$ -	\$ -	\$ 1,293,479	\$ 2,054,159
Sick leave and severance liabilities	-	-	-	-	-	-	-	-	314,826	287,232
Developer deposits and unearned revenue	-	-	-	-	-	-	-	-	770,619	857,555
Due to reserve fund	-	-	-	-	-	-	-	-	643,895	1,404,806
Reserve - Municipal Finance Authority	-	-	20,847	20,624	-	-	-	-	64,528	63,897
Long-term debt (Note 7)	-	-	-	-	-	-	1,777,277	1,848,943	1,777,277	1,848,943
Obligations under capital lease (Note 8)	-	-	-	-	-	-	132,413	155,425	132,413	155,425
Federal gas tax agreement funds (Note 12)	-	-	-	-	-	-	-	-	583,570	483,854
Development cost charges reserve (Note 13)	-	-	-	-	-	-	-	-	1,788,783	1,841,585
	<u>-</u>	<u>-</u>	<u>21,934</u>	<u>21,711</u>	<u>-</u>	<u>-</u>	<u>1,909,690</u>	<u>2,004,368</u>	<u>7,369,390</u>	<u>8,997,456</u>
NET FINANCIAL ASSETS	<u>\$ 433,932</u>	<u>\$ 427,410</u>	<u>\$ 581,373</u>	<u>\$ 607,793</u>	<u>\$ 79,458</u>	<u>\$ 78,264</u>	<u>\$ (1,909,690)</u>	<u>\$ (2,004,368)</u>	<u>\$ 5,908,224</u>	<u>\$ 7,149,775</u>
NON-FINANCIAL ASSETS										
Tangible capital assets (Schedule 1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,794,169	\$ 15,682,345	\$ 17,794,169	\$ 15,682,345
Inventories	-	-	-	-	-	-	-	-	142,790	144,828
Prepaid expenses	-	-	-	-	-	-	-	-	19,218	42,001
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,794,169</u>	<u>15,682,345</u>	<u>17,956,177</u>	<u>15,869,174</u>
ACCUMULATED SURPLUS	<u>\$ 433,932</u>	<u>\$ 427,410</u>	<u>\$ 581,373</u>	<u>\$ 607,793</u>	<u>\$ 79,458</u>	<u>\$ 78,264</u>	<u>\$ 15,884,479</u>	<u>\$ 13,677,977</u>	<u>\$ 23,864,401</u>	<u>\$ 23,018,949</u>

THE CORPORATION OF THE CITY OF DUNCAN
 STATEMENT OF GENERAL REVENUE FUND OPERATIONS
 Year Ended December 31, 2010

SCHEDULE 10

	2010 Budget	2010 Actual	2009 Actual
REVENUE			
Taxes	\$ 3,575,354	\$ 3,551,738	\$ 3,207,512
Grants in lieu of taxes	11,300	11,515	16,085
Sales of services	450,800	429,389	452,123
Government transfers - unconditional	534,000	147,843	931,117
Government transfers - conditional	475,732	317,227	693,754
Investment income	44,000	29,807	66,276
Other revenue from own sources	481,098	474,135	433,736
Total revenue	<u>5,572,284</u>	<u>4,961,654</u>	<u>5,800,603</u>
EXPENSES			
General Government	1,089,927	951,008	874,794
Protective services	1,505,967	1,412,073	1,206,199
Transportation services	1,076,156	954,414	924,355
Environmental health services	360,793	302,283	223,947
Environmental development services	162,625	132,865	30,816
Recreation and cultural services	771,310	764,450	688,411
Interest	97,000	45,949	78,297
Total expenses	<u>5,063,778</u>	<u>4,563,042</u>	<u>4,026,819</u>
NET REVENUES	508,506	398,612	1,773,784
TRANSFERS			
Transfers to general capital fund	(1,077,690)	(832,016)	(977,586)
Transfers to reserve fund	(70,111)	(411,456)	(483,680)
Transfers to parcel taxes - sewer fund	(42,820)	(43,060)	(42,860)
Long term debt repayment	(104,700)	(52,842)	(53,313)
NET INCREASE (DECREASE) IN FUND	<u>(786,815)</u>	<u>(940,762)</u>	<u>216,345</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>1,551,387</u>	<u>1,551,387</u>	<u>1,335,042</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 764,572</u>	<u>\$ 610,625</u>	<u>\$ 1,551,387</u>

THE CORPORATION OF THE CITY OF DUNCAN

SCHEDULE 11

STATEMENT OF WATERWORKS UTILITY REVENUE FUND OPERATIONS

Year Ended December 31, 2010

	2010 Budget	2010 Actual	2009 Actual
REVENUE			
Sale of water	\$ 1,409,720	\$ 1,467,581	\$ 1,364,459
Water studies	-	2,509	5,502
Service charges	20,100	25,253	25,606
Investment income	25,000	17,457	36,326
Total revenue	<u>1,454,820</u>	<u>1,512,800</u>	<u>1,431,893</u>
EXPENSES			
Administration	431,880	399,000	387,141
Transmission and distribution	436,650	307,227	342,073
Pumping	235,789	196,974	208,129
Interest on debenture debt	12,000	11,520	11,520
Total expenses	<u>1,116,319</u>	<u>914,721</u>	<u>948,863</u>
NET REVENUES	338,501	598,079	483,030
TRANSFERS			
Transfers to waterworks utility capital fund	(360,701)	(99,836)	(418,758)
Long term debt repayment	(7,800)	(7,742)	(7,742)
NET INCREASE (DECREASE) IN FUND	<u>(30,000)</u>	<u>490,501</u>	<u>56,530</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>1,286,943</u>	<u>1,286,943</u>	<u>1,230,413</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 1,256,943</u>	<u>\$ 1,777,444</u>	<u>\$ 1,286,943</u>

THE CORPORATION OF THE CITY OF DUNCAN
 STATEMENT OF SEWER UTILITY REVENUE FUND OPERATIONS
 Year Ended December 31, 2010

SCHEDULE 12

	2010 Budget	2010 Actual	2009 Actual
REVENUE			
Sewer rentals	\$ 679,931	\$ 724,783	\$ 658,430
Service charges	100	183	49
Investment income	14,000	9,001	17,643
Total revenue	<u>694,031</u>	<u>733,967</u>	<u>676,122</u>
EXPENSES			
Administration	200,370	177,093	160,604
Collection and disposal	142,279	158,980	124,424
Cost sharing - municipal government	(15,000)	(18,700)	(20,015)
Joint Utilities Board	250,000	229,830	262,362
Interest on debenture debt	23,100	13,230	18,144
Total expenses	<u>600,749</u>	<u>560,433</u>	<u>545,519</u>
NET REVENUES	93,282	173,535	130,603
TRANSFERS			
Transfers to sewer capital fund	(601,200)	(229,093)	(40,084)
Transfers from general revenue fund - parcel tax	42,820	43,060	42,860
Long term debt repayment	(12,702)	(13,923)	(12,702)
NET INCREASE (DECREASE) IN FUND	<u>(477,800)</u>	<u>(26,420)</u>	<u>120,677</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	607,793	607,793	487,116
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 129,993</u>	<u>\$ 581,373</u>	<u>\$ 607,793</u>

THE CORPORATION OF THE CITY OF DUNCAN
 STATEMENT OF CAPITAL FUND OPERATIONS
 Year Ended December 31, 2010

SCHEDULE 13

	2010 Budget	2010 Actual	2009 Actual
REVENUE			
Connection fees and miscellaneous donations			
General Capital	\$ 134,000	\$ 27,384	\$ 14,648
Water Capital	276,000	65,650	157,889
Sewer Capital	1,000	11,432	34,407
Assets Constructed by Developers			
Water Capital	-	179,543	58,590
Capital Grants			
General Capital	962,667	394,975	1,008,127
Water Capital	533,333	-	-
Investment Income			
General Capital Fund	-	2,322	5,343
Water Capital Fund	-	6,522	15,008
Sewer Capital Fund	-	1,194	2,748
Development Cost Charges utilized	-	89,400	-
Total revenue	<u>1,907,000</u>	<u>778,422</u>	<u>1,296,760</u>
EXPENSES (not capitalized) (Schedule 5)			
Repairs and Maintenance			
General government services	-	20,629	20,557
Protective services	-	11,054	4,253
Transportation services	-	49,723	39,494
Environmental health services	-	8,491	2,857
Recreation and cultural services	-	31,471	283,201
Water services	-	5,351	2,962
Sewer services	-	227,086	15,702
Total expenses	<u>-</u>	<u>353,805</u>	<u>369,026</u>
NET REVENUES	1,907,000	424,617	927,734
TRANSFERS			
Transfers from general operating fund	1,077,690	832,017	977,586
Transfers from water operating fund	360,701	99,836	418,758
Transfers from sewer operating fund	601,200	229,093	40,084
Transfers from general reserve funds	2,721,965	1,035,820	515,744
Transfers to general reserve funds	-	(5,895)	(1,450,000)
Transfers from (to) water reserve funds	798,600	468,846	49,842
Capital asset purchases	(8,195,572)	(3,074,297)	(2,899,844)
Debt Proceeds (Repayment)	346,750	-	1,450,000
NET INCREASE (DECREASE) IN FUND	(381,666)	10,036	29,904
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>657,842</u>	<u>657,842</u>	<u>627,938</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 276,176</u>	<u>\$ 667,878</u>	<u>\$ 657,842</u>