



Transfer Beach Park

# TOWN OF LADYSMITH



2019

# AUDITED FINANCIAL STATEMENTS



**INDEX TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

Management Report

Independent Auditor's Report

Consolidated Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Cash Flows	3
Consolidated Statement of Changes in Net Financial Assets	4
Notes to the Consolidated Financial Statements	5-31

Schedules

I Statement of Operations by Segment – 2018 & 2019	32-33
II Consolidated Statement of Tangible Capital Assets – 2018 & 2019	34-35

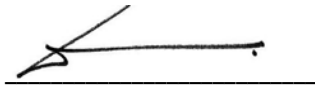
## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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The accompanying Consolidated Financial Statements are the responsibility of the management of the Town of Ladysmith and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting standards.

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.

*MNP LLP* as the Municipality'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 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 Municipality in accordance with Canadian Public Sector Accounting Standards.



Guillermo Ferrero  
Chief Administration Officer



# Independent Auditor's Report

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To the Mayor and Council of the Town of Ladysmith:

## Opinion

We have audited the consolidated financial statements of the Town of Ladysmith (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, changes in net financial assets and cash flows and related schedules 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 Town as at December 31, 2019, and the results of its operations and 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 Town 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 Information

Management is responsible for the other information. The other information comprises the annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## 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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town'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 Town'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 Town'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 Town 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 Town 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.

Nanaimo, British Columbia

May 5, 2020

*MNP* LLP

Chartered Professional Accountants

**TOWN OF LADYSMITH**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

		<u>2019</u>	<u>2018</u>
Financial Assets			
Cash and short-term deposits	(Note 2)	\$ 24,653,055	\$ 22,025,702
Accounts receivable	(Note 4)	<u>5,653,020</u>	<u>4,435,613</u>
		<u>30,306,075</u>	<u>26,461,315</u>
Liabilities			
Accounts payable and accrued liabilities	(Note 5)	3,560,551	3,372,143
Post-employment benefits	(Note 6)	262,400	232,400
Deferred revenue	(Note 7)	611,478	563,199
Refundable deposits and other	(Note 8)	819,767	878,031
Restricted reserves	(Note 9)	474,480	442,190
Development cost charge reserve	(Note 10)	3,714,388	3,163,671
Federal gas tax reserve	(Note 11)	1,474,035	1,506,769
Equipment financing	(Note 12)	915,645	986,306
Short-term financing	(Note 13)	952,700	952,700
Debenture debt	(Note 14)	<u>16,962,428</u>	<u>11,598,532</u>
		<u>29,747,872</u>	<u>23,695,941</u>
Net Financial Assets		<u>558,203</u>	<u>2,765,374</u>
Non-Financial Assets			
Tangible Capital Assets	(Schedule II)	110,605,787	97,692,141
Prepays		95,485	89,387
Inventory		<u>64,550</u>	<u>74,232</u>
		<u>110,765,822</u>	<u>97,855,760</u>
Accumulated Surplus	(Note 19)	<u>\$ 111,324,025</u>	<u>\$ 100,621,134</u>

*Commitments and Contingencies (Note 15)*  
*Subsequent Events (Note 28)*



Director of Financial Services

**TOWN OF LADYSMITH**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**AS AT DECEMBER 31, 2019**

		<u>2019</u>	<u>Budget 2019</u> (Note 20)	<u>2018</u>
Revenue				
Taxation	(Note 22)	\$ 11,600,354	\$ 11,597,913	\$ 10,691,844
Sale of Services	(Note 23)	3,976,114	3,981,458	3,731,971
Investment Income		528,984	155,000	263,939
Licence, Permits, Rentals & Penalties	(Note 24)	1,018,152	773,807	965,424
Grants	(Note 25)	6,842,495	21,185,687	3,658,040
Donations and contributed tangible capital assets		2,114,949	2,168,500	348,214
Loss on foreign exchange		(15,931)	-	(51,120)
Gain (loss) on disposal of tangible capital assets		(104,904)	10,000	(1,205)
Development fees		77,000	982,750	43,000
Gas tax funds utilized	(Note 11)	893,245	1,422,054	398,071
		<u>26,930,458</u>	<u>42,277,169</u>	<u>20,048,178</u>
Expenses				
General government services		2,780,011	2,971,091	2,698,993
Protective services		1,443,022	2,124,537	1,742,911
Transportation services		2,250,325	2,392,845	2,338,580
Garbage services		527,606	525,121	511,805
Cemetery services		29,068	30,033	28,609
Development services		573,622	732,906	578,671
Recreation and cultural services		2,897,536	3,068,405	2,887,980
Parks operation services		1,093,968	1,043,464	930,872
Sewer		2,854,002	3,574,857	2,787,753
Water		1,778,406	2,091,788	1,360,108
		<u>16,227,567</u>	<u>18,555,047</u>	<u>15,866,282</u>
Annual Surplus		10,702,891	23,722,122	4,181,896
Accumulated Surplus, beginning of year		<u>100,621,134</u>	<u>100,621,134</u>	<u>96,439,238</u>
Accumulated Surplus - end of year		<u>\$ 111,324,025</u>	<u>\$ 124,343,256</u>	<u>\$ 100,621,134</u>

*See accompanying notes to the consolidated financial statements*



**TOWN OF LADYSMITH**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**AS AT DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
Operating Transactions		
Annual Surplus	\$ 10,702,891	\$ 4,181,896
Less non-cash items included in surplus:		
Amortization	3,489,917	3,336,032
Loss on disposal of tangible capital assets	104,904	1,205
Actuarial adjustments on debenture debt	(46,059)	(40,824)
Contributed tangible capital assets	(1,949,543)	(269,830)
	<u>12,302,110</u>	<u>7,208,479</u>
Change in		
Accounts receivable	(1,217,407)	(1,551,415)
Prepaid expenses	(6,098)	(17,934)
Inventory	9,682	(7,842)
Accounts payable and accrued liabilities	188,408	984,727
Post employment benefits	30,000	(1,700)
Deferred revenues	48,279	25,668
Refundable deposits and other	(58,264)	317,044
Restricted reserves	32,290	7,334
Development cost charge reserve	550,717	490,827
Gas tax reserve	(32,734)	25,258
Cash provided by operating transactions	<u>11,846,983</u>	<u>7,480,446</u>
Capital Transactions		
Proceeds on sale of tangible capital assets	50,552	-
Cash used to acquire tangible capital assets	(14,609,476)	(6,884,740)
Cash used by capital transactions	<u>(14,558,924)</u>	<u>(6,884,740)</u>
Financing Transactions		
Proceeds of long-term financing	6,000,000	952,700
Proceeds of equipment loans	-	626,869
Repayment of debt	(660,706)	(590,045)
Net Increase in cash from financing	<u>5,339,294</u>	<u>989,524</u>
Increase in Cash and Short-Term Deposits	2,627,353	1,585,230
Cash and Short-Term Deposits - Beginning of Year	22,025,702	20,440,472
Cash and Short-Term Deposits - End of Year	<u>\$ 24,653,055</u>	<u>\$ 22,025,702</u>

*See accompanying notes to the consolidated financial statements*

**TOWN OF LADYSMITH**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**AS AT DECEMBER 31, 2019**

	<u>2019</u>	<u>Budget 2019 (Note 20)</u>	<u>2018</u>
Annual Surplus	\$ 10,702,891	\$ 23,722,122	\$ 4,181,896
Acquisition of tangible capital assets	(16,559,019)	(42,358,680)	(7,154,570)
Amortization of tangible capital assets	3,489,917	3,436,284	3,336,032
Loss (gain) on sale of tangible capital assets	104,904	-	1,205
Proceeds from sale of tangible capital assets	50,552	-	-
Decrease (Increase) in inventories	9,682	-	(7,842)
Decrease (Increase) in prepaids	(6,098)	-	(17,934)
Change in Net Financial Assets	<u>(2,207,171)</u>	<u>(15,200,274)</u>	<u>338,787</u>
Net Financial Assets, beginning of year	<u>2,765,374</u>		<u>2,426,587</u>
Net Financial Assets, end of year	<u><u>\$ 558,203</u></u>		<u><u>\$ 2,765,374</u></u>

*See accompanying notes to the consolidated financial statements*

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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The Town of Ladysmith (the Town) was incorporated in 1904 under the provisions of the British Columbia Municipal Act. Its principal activities are the provision of local government services in the Town, as governed by the *Community Charter* and the *Local Government Act*.

**Note 1 - Significant Accounting Policies**

The notes to the consolidated financial statements are an integral part of these financial statements. They provide detailed information and explain the significant accounting and reporting policies and principles that form the basis of these statements. They also provide relevant supplementary information and explanations which cannot be expressed in the consolidated financial statements.

**(a) Basis of Presentation**

It is the Town's policy to follow Canadian public sector accounting standards for local governments and to apply such principles consistently. The financial resources and operations of the Town have been consolidated for financial statement purposes and include the accounts of all of the funds of the Town.

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 or the creation of an obligation to pay.

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

General Revenue Fund	General Capital Fund
Water Revenue Fund	Water Capital Fund
Sewer Revenue Fund	Sewer Capital Fund
Reserve Fund	

**(b) Reporting Entity**

The consolidated financial statements include the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity is comprised of all the funds, agencies, local boards, and committees of the Council which are controlled by the Town. Control is defined as the power to govern the financial and reporting policies of another organization with the

TOWN OF LADYSMITH  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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**Note 1 - Significant Accounting Policies - (b) Reporting Entity (continued)**

expected benefits or risk of loss to the Town. The controlled organizations are consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the Town. Interfund and intercompany balances and transactions have been eliminated. The controlled organizations include DL 2016 Holdings Corporation, a wholly owned subsidiary of the Town.

**(c) 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. 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 Town does not capitalize interest charges as part of the cost of its tangible capital assets.

Tangible capital assets are amortized over their estimated useful life on the straight-line method at the following annual rates:

General Tangible Capital Assets

Land	Indefinite
Land Improvements	15 to 75 years
Buildings	25 to 40 years
Equipment, Furniture and Vehicles	5 to 60 years

Engineering Structures

Roads and Sidewalks	20 to 75 years
Storm and Sewer	25 to 75 years
Water	20 to 80 years

Constructions in progress contain capital projects underway but not yet complete or put into use. Once put into use, the asset will be amortized based on the above annual rates for the applicable category of work performed.

Certain assets have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts that are not recognized as tangible capital assets

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 1 - Significant Accounting Policies – (c) Tangible Capital Assets (continued)**

because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands and other natural resources are not recognized as tangible capital assets.

**(d) Cash and Short-Term Deposits**

Cash and short-term deposits have maturities of three months or less from the date of acquisition, reported in Canadian funds using the exchange rate of the prescribed bank as of December 31.

**(e) Restricted Reserves and Deferred Revenues**

Receipts which are restricted by the legislation of senior governments or by agreement with external parties are deferred and reported as restricted reserves. When qualifying expenses are incurred, restricted reserves are brought into revenue at equal amounts, in accordance with Revenue Recognition policy 1(i). These revenues are comprised of the amounts shown in Note 9, 10, and 11.

Revenues received from non-government sources in advance of expenses which will be incurred in a later period are deferred until the associated purchase or expense is incurred.

**(f) Use of Estimates**

The 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 revenue and expense during the reporting period. Significant areas requiring the use of management estimates relate to the collectability of accounts receivable, accrued liabilities, post-employment benefits, provisions for contingencies and amortization rates, useful lives and salvage values for determining tangible capital asset values. Actual results could differ from those estimates. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the Town is responsible for. Adjustments, if any, will be reflected in operations in the period of settlement.

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 1 - Significant Accounting Policies (continued)**

**(g) Revenue Recognition**

Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year. Fees and charges revenue are recognized when the services are rendered. Investment income is accrued as earned. Gain (loss) on foreign exchange has been recognized in the Statement of Operations using the exchange rate in effect on December 31, 2019.

Other revenues are recognized when earned in accordance with the terms of the agreement, when the amounts are measurable and when collection is reasonably assured.

The Town recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. Grants and donations 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. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability (deferred revenue). In such circumstances, the Town recognizes the revenue as the liability is settled.

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.

**(h) 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.

**(i) Inventory**

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



TOWN OF LADYSMITH  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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**Note 1 - Significant Accounting Policies (continued)**

**(j) 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 Town of Ladysmith 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, 2019.

Included in tangible capital assets are specific properties that have been determined to be contaminated in excess of Provincial environmental standards and that require remediation activities. As the Town has not accepted responsibility for the contamination, no liability has been recorded for the estimated remediation costs. Future events may confirm the Town's responsibility, at which point a liability would be recorded. Any remediation activities that occur prior to the determination of responsibility will be expensed as incurred.

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 2 - Cash and Short-Term Deposits**

Cash and short-term deposits were comprised as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 23,845,187	\$ 21,232,595
Short-term deposits	<u>807,868</u>	<u>793,107</u>
	<u>\$ 24,653,055</u>	<u>\$ 22,025,702</u>

Included in Cash is a deposit of \$191,088 (the equivalent of \$149,377 US Funds based on the exchange rate at the Ladysmith and District Credit Union on December 31, 2019). Short-term deposits consist of short-term investments in the Municipal Finance Authority of B.C. money market fund. The market value is equal to the carrying value.

Included in cash and short-term deposits are the following restricted amounts that are expended in accordance with the terms of the restricted reserves.

	<u>2019</u>	<u>2018</u>
Restricted reserves	\$ 474,480	\$ 442,190
Federal gas tax reserve	1,474,035	1,506,769
Development cost charges reserve	<u>3,714,388</u>	<u>3,163,671</u>
Total restricted cash	<u>\$ 5,662,903</u>	<u>\$ 5,112,630</u>

**Note 3 - Financial Instruments**

The Town as part of its operations carries a number of financial instruments. It is management's opinion the Town is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. The Town is exposed to currency risk on its US dollar bank account. Unless otherwise noted in Note 2, the fair value of these financial instruments approximates their carrying values.

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 4 - Accounts Receivable**

	<u>2019</u>	<u>2018</u>
Property taxes	\$ 852,318	\$ 911,481
Other government	3,807,963	2,705,974
User fees and other	981,267	808,059
Developer receivables	5,139	5,139
Employee receivables	6,333	4,960
	<u>\$ 5,653,020</u>	<u>\$ 4,435,613</u>

**Note 5 - Accounts Payable and Accrued Liabilities**

	<u>2019</u>	<u>2018</u>
General	\$ 1,462,671	\$ 2,583,733
Other governments	204,763	11,362
Salaries and wages	273,802	261,128
Contractor holdbacks	1,507,649	438,108
Accrued interest	111,666	77,813
	<u>\$ 3,560,551</u>	<u>\$ 3,372,143</u>

*These notes form an integral part of these consolidated financial statements.*

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 6 - Post-Employment Benefits**

The Town provides compensated absences to its employees to a maximum of 120 days. The Town also allows employees to defer unused vacation without any maximum. Any deferred vacation time remaining at retirement or termination is paid out at that time. The amount recorded for these benefits is based on an actuarial evaluation done by an independent firm using a projected benefit actuarial valuation method prorated on services. The last actuarial valuation was calculated at August 31, 2017 and has been extrapolated to December 31, 2019. The change in the liability in the financial statements in respect of obligations under the plan amounts to \$30,000 (\$1,700 - 2018).

The accrued post-employment benefits are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 232,400	\$ 234,100
Current service costs	29,600	29,000
Benefits paid	(17,600)	(26,900)
Actuarial gain	18,000	(3,800)
Past service credit	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 262,400</u>	<u>\$ 232,400</u>

The significant actuarial assumptions adopted in measuring the Town's post-employment benefits are as follows:

	<u>2019</u>	<u>2018</u>
Discount Rate	2.70%	3.30%
Expected Inflation Rate and Wage & Salary Increases	2.50%	2.50%

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 7 - Deferred Revenue**

	<u>2019</u>	<u>2018</u>
Licence fees & charges	\$ 21,401	\$ 17,832
Rental payments	12,441	12,441
Property tax prepayments	441,645	417,460
Subdivisions prepayments	80,515	71,515
Recreation prepayments	30,169	27,512
Utilities prepayments	14,125	12,357
Other	11,182	4,082
	<u>\$ 611,478</u>	<u>\$ 563,199</u>

**Note 8 - Refundable Deposits and Other**

	<u>2019</u>	<u>2018</u>
Developer performance deposits	\$ 373,978	\$ 475,996
Damage deposits	279,000	233,450
Other	166,789	168,585
	<u>\$ 819,767</u>	<u>\$ 878,031</u>

*These notes form an integral part of these consolidated financial statements.*

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Note 9 - Restricted Reserves**

There are two reserves, LRC Capital and B&G Capital for the replacement of specific building components located at 630 2<sup>nd</sup> Avenue and 220 High Street.

Description	Balance Dec. 31, 2018	Interest	Contributions	Expenditures	Balance Dec. 31, 2019
Parking	\$ 74,979	\$ 2,251	\$ 30,000	\$ -	\$ 107,230
Green Streets	1,480	38	-	-	1,518
Amphitheatre	19,255	307	300	(10,000)	9,862
B&G - Capital	43,930	1,178	5,064	-	50,173
LRCA/Seniors - Capital	302,546	1,425	2,480	(755)	305,697
<b>TOTAL</b>	<b>\$ 442,190</b>	<b>\$ 5,200</b>	<b>\$ 37,844</b>	<b>\$ (10,755)</b>	<b>\$ 474,480</b>

**Note 10 - Development Cost Charges Reserve**

Restricted reserves include Development Cost Charges (DCC's) which are charged to developers and utilized for infrastructure development.

Description	Balance Dec. 31, 2018	Interest	Contributions	Expenditures	Balance Dec. 31, 2019
DCC - Water	\$ 693,763	\$ 18,447	\$ 128,599	\$ -	\$ 840,809
DCC - Parks	719,041	18,824	123,950	-	861,816
DCC - Roads	775,834	20,060	121,222	(67,000)	850,116
DCC - Sewer	589,375	15,986	150,521	-	755,882
DCC - Storm	385,658	9,890	10,216	-	405,765
<b>TOTAL</b>	<b>\$ 3,163,671</b>	<b>\$ 83,208</b>	<b>\$ 534,508</b>	<b>\$ (67,000)</b>	<b>\$ 3,714,388</b>

Developers may be entitled to DCC credits in certain circumstances. There were no DCC credits in 2019 (\$15,000 – 2018).



**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 11 - Federal Gas Tax Reserve**

Gas Tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Town 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. A one-time payment of \$405,121 was received in 2019. The funds are recorded on the consolidated financial statements as a restricted reserve.

	<u>2019</u>	<u>2018</u>
Opening balance of unspent funds	\$ 1,506,769	\$ 1,481,511
Add: Amounts received during the year	819,763	405,121
Interest earned	40,747	18,208
Less: Gas tax funds utilized	(893,245)	(398,071)
Closing balance of unspent funds	<u>\$ 1,474,035</u>	<u>\$ 1,506,769</u>

**Note 12 - Obligations under Equipment Financing**

The total equipment financing outstanding with the Municipal Finance Authority of British Columbia as at December 31, 2019 was \$915,645 (\$986,306 - 2018).

The Town has entered into equipment loans for the following purchases:

- 1) A five year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced May 2017 for the purchase of a 2012 Spartan fire truck. This was formerly a capital lease. The remaining obligation will be repaid with monthly loan payments in the amount of \$3,291 including interest at a daily varying rate (December 31, 2019 was 2.53875). The balance of the loan at December 31, 2019, which is included in equipment financing, is \$254,960 (\$287,634 - 2018). Loan to expire May 2022.

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 12 - Obligations under Equipment Financing (continued)**

- 2) A five year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced September 2018 for the purchase of a 2018 Spartan fire truck. The remaining obligation will be repaid with monthly loan payments in the amount of \$2,835 including interest at a daily varying rate (December 31, 2019 was 2.53875). The balance of the loan at December 31, 2019, which is included in equipment financing, is \$660,685 (\$677,945 - 2018). Loan to expire September 2023.

There are two equipment loans payable to the Municipal Finance Authority. The future minimum loan payments under the equipment loan obligation are as follows:

2020	\$ 50,442
2021	51,824
2022	32,616
2023	186,867
2024	593,896

Interest in the consolidated statement of operations is calculated as \$23,829 (\$12,208 - 2018).

The total equipment financing issued and outstanding with the MFA as at December 31, 2019 was \$915,645 (\$986,306 as at December 31, 2018). This balance is made up of:

	Balance Dec 31, 2018	Principal Payments	Balance Dec 31, 2019	Interest
Spartan Fire Truck	\$ 16,505	\$ 16,505	\$ -	\$ 224
Spartan Fire Truck	287,634	32,674	254,960	6,822
Fitness Equip - FJCC	4,222	4,222	-	28
Pumper Truck	677,945	17,260	660,685	16,755
	<u>\$ 986,306</u>	<u>\$ 70,661</u>	<u>\$ 915,645</u>	<u>\$ 23,829</u>

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 13 – Short-term Financing**

The total short-term financing outstanding with the Municipal Finance Authority of British Columbia as at December 31, 2019 was \$952,700 (\$952,700 – 2018). The Town entered into a short-term financing agreement which commenced September 2018 to borrow up to \$1,000,000 to purchase 1260 Churchill Place. As of December 31, 2019 \$952,700 in short-term financing was executed. Interest is charged at a daily varying rate. The full amount borrowed must be repaid by 2023.

Short-term interest in the consolidated statement of operations is calculated at \$23,824 (\$5,912 – 2018).

**Note 14 - Debenture Debt**

The Town of Ladysmith secures its long-term borrowing through the Municipal Finance Authority of BC (MFA). As a condition of each borrowing, a portion of the debenture proceeds is retained by the MFA as a debt reserve fund. As at December 31, 2019, the cash balance of the Town's debt reserve funds was \$ 223,515 (\$158,762 – 2018). Debt reserve funds are not recorded elsewhere in the financial statements.

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The total long-term debt issued and outstanding with the MFA as at December 31, 2019 was \$16,962,428 (\$11,598,532 as at December 31, 2018). This balance is made up of:

	Original Amount	Balance Dec 31, 2018	Principal Payments	Balance Dec 31, 2019	Interest	Actuarial Adjustment	Interest Rate
<b><u>General Capital Fund</u></b>							
RCMP Building Issue #97 Term 2006-2031	\$ 2,750,000	\$ 1,757,803	\$ 105,721	\$ 1,652,082	\$ 48,125	\$ (39,688)	1.75%
<b><u>Water Capital Fund</u></b>							
Water Improvements Issue #118 Term 2012-2037	1,000,000	840,729	30,383	810,346	34,000	(6,371)	3.40%
Water Filtration Plant Issue #147 Term 2019-2044	6,000,000	-	-	6,000,000	79,800	-	2.66%
<b><u>Sewer Capital Fund</u></b>							
Sewer Treatment Plant Issue #138 Term 2016-2036	10,000,000	9,000,000	500,000	8,500,000	173,823	-	1.88%
	<u>\$ 19,750,000</u>	<u>\$11,598,532</u>	<u>\$ 636,104</u>	<u>\$16,962,428</u>	<u>\$ 335,748</u>	<u>\$ (46,059)</u>	

The following principal payments are payable over the next five years:

	General		Water		Sewer		Total
	Principal Repayment	Actuarial Sinking Fund Earnings	Principal Repayment	Actuarial Sinking Fund Earnings	Principal Repayment	Actuarial Sinking Fund Earnings	Net
2020	\$ 66,033	43,917	\$ 188,579	7,586	\$ 500,000	-	\$ 806,115
2021	66,033	48,315	188,579	13,787	500,000	-	816,714
2022	66,033	52,889	188,579	20,187	500,000	-	827,687
2023	66,033	57,645	188,579	26,791	500,000	-	839,049
2024	66,033	62,593	188,579	33,608	500,000	-	850,813
Thereafter	462,230	594,328	3,603,500	2,161,991	6,000,000	-	12,822,049

Debt interest, net of actuarial adjustment included in the consolidated statement of operations, is calculated at \$339,425 (\$223,759 – 2018).

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 15 - Commitments and Contingencies**

**(a) Contingent Liabilities**

- i) The Town, as a member of the Cowichan Valley Regional District, is jointly and severally liable for operational deficits or long term debt related to functions in which it participates.
- ii) The loan agreements with the Municipal Finance Authority provide that if the Authority does not have sufficient funds to meet payments on its obligations it shall make payments from the Debt Reserve Fund which in turn is established by a similar Debt Reserve Fund in the Town and all other borrowing participants. If the Debt Reserve Fund is deficient the Authority's obligations become a liability of the regional district and may become a liability of the participating municipalities.
- iii) There were various claims made against the Town as at December 31, 2019 for incidents that arose in the ordinary course of operations. In the opinion of management and legal counsel, the outcomes of the lawsuits, now pending, are not determinable. As the outcomes are 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.

**(b) Pension Liability**

The Town 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, 2018, the Plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 15 - Commitments and Contingencies – (b) Pension Liability (continued)**

The most recent valuation for the Municipal Pension Plan as of December 31, 2018, indicated a \$2.866 billion funding surplus for basic pension benefits on a going concern basis.

The Town of Ladysmith paid \$483,383 (2018 - \$464,390) for employer contributions to the Plan in fiscal 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the plan record their pension expense 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.

**(c) Reciprocal Insurance Exchange Agreement**

The Town 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 upon any subscriber. Under the Reciprocal Insurance Exchange Agreement the Town is assessed a premium and specific deductible for its claims based on population. The obligation of the Town 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 Town irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other subscriber may suffer.



**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 15 - Commitments and Contingencies (continued)**

**(d) Service Agreements & Rental Payments**

Rental payments under operating leases are expensed as incurred.

Service Agreements

	<u>2019</u>	<u>2018</u>
Ladysmith & District Historical Society	\$ 42,550	\$ 23,970
Ladysmith Resources Centre Association	42,137	41,310
Ladysmith Chamber of Commerce & Visitor Centre	<u>43,400</u>	<u>43,400</u>
	<u>\$ 128,087</u>	<u>\$ 108,680</u>

In 2017, the Town entered into a 5-year Service Agreement with the Ladysmith & District Historical Society (LDHS) for the occupancy, operation and management of the museum and archives. The Town provided a one-time additional payment of \$18,100 in 2019. The future payments are expected to be \$28,038 – 2020, \$28,537 – 2021, and \$29,046 – 2022.

Also in 2017, the Town entered into a 5-year Service Agreement with the Ladysmith Resources Centre Association (LRCA). The future payments are expected to be \$42,978 – 2020, and \$43,838 – 2021.

The Town provides the Ladysmith Chamber of Commerce & Visitor Centre annual funding to operate the visitor centre and provide support services for local businesses. The agreement is year-to-year.

Rental Payments

	<u>2019</u>	<u>2018</u>
132c Roberts Street - office space	\$ 27,998	\$ 27,796
17 & 25 Roberts Street - parking lot	<u>8,400</u>	<u>8,100</u>
	<u>\$ 36,398</u>	<u>\$ 35,896</u>

The Town entered into a 3-year lease with Ivory Tower Investments Ltd for the use of office space at 132c Roberts Street. The future monthly payments are \$2,388 for 2020, 2021 and 2022.

In 2017, the Town entered into a 3-year lease agreement with Paul Jorjorian for the rental of the 17 & 25 Roberts Street Parking Lot. The future monthly payment is \$725 for 2020.

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 16 - Significant Taxpayers**

The Town is reliant upon 10 taxpayers for approximately 12.88% (13.52% - 2018) of the total property tax revenue which includes Western Forest Products at approximately 6.72% (6.78% - 2018) of the total property tax revenue.

**Note 17 - Funds Held in Trust**

These funds account for assets which must be administered as directed by agreement or statute for certain beneficiaries; in particular, these funds are for the Cemetery Trust Fund. In accordance with PSAB recommendations on financial statement presentation, trust funds are not included in the Town's Financial Statements. A summary of trust fund activities by the Town is as follows:

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and short term investment	<u>\$ 161,557</u>	<u>\$ 159,737</u>
<b>Equity</b>		
Opening balance	\$ 159,737	\$ 155,937
Interest	4,065	2,461
Transfer interest to fund cemetery costs	(4,065)	(2,461)
Contributions	1,820	4,130
Refunds	<u>-</u>	<u>(330)</u>
Balance, end of year	<u>\$ 161,557</u>	<u>\$ 159,737</u>

**Note 18 - Comparative Figures**

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

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 19 - Accumulated Surplus**

The Town segregates its accumulated surplus in the following categories:

	<u>2019</u>	<u>2018</u>
Unappropriated equity	\$ 4,110,986	\$ 5,346,507
Appropriated equity (Note 26)	<u>13,151,741</u>	<u>8,980,174</u>
	<u>17,262,727</u>	<u>14,326,682</u>
<b>Capital Funds</b>		
General capital fund	233,910	182,120
Sewer capital fund	14,942	14,942
Water capital fund	<u>446,073</u>	<u>14,073</u>
	<u>694,925</u>	<u>211,135</u>
<b>Reserve Funds</b>		
Reserve funds (Note 26)	<u>1,591,351</u>	<u>1,928,713</u>
Equity in Tangible Capital Assets	<u>91,775,023</u>	<u>84,154,605</u>
Total Accumulated Surplus	<u><u>\$ 111,324,025</u></u>	<u><u>\$ 100,621,134</u></u>

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 20 - Annual Budget**

Fiscal plan amounts represent the Financial Plan Bylaw adopted by Council on May 13<sup>th</sup>, 2019.

The Financial Plan anticipated the use of surpluses accumulated in previous years to balance against current year expenses in excess of current year revenues. In addition, the Financial Plan anticipated capital expenses rather than amortization expense.

The following shows how these amounts were combined:

Financial Plan Balance for the year	\$ -
Add back:	
Amortization	(3,436,284)
Proceeds from new debt	(8,911,952)
Transfers to/from own funds	(7,112,509)
Less:	
Principal payments on debt	824,187
Capital expenditures per budget	42,518,786
Capital Expenditures expensed according to Tangible Capital Asset Policy	<u>(160,106)</u>
Adjusted Annual Surplus	<u>\$ 23,722,122</u>

**Note 21 - DL 2016 Holdings Corporation ("DL 2016")**

The Town of Ladysmith has an investment in DL 2016 Holdings Corporation, a wholly owned subsidiary company of the Town.

The Town of Ladysmith leases portions of its waterfront from the Province of British Columbia parts of which are subleased to DL 2016 for use as a marina.

DL 2016 has entered into operation and maintenance agreement and a license agreement with the Ladysmith Maritime Society (LMS) for the operation and management of the lease area. A portion of the moorage revenues from LMS are owed to DL 2016.

Pursuant to these agreements DL 2016 could provide security for debt financing in order for LMS to implement capital improvements to the lease area.

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 22 – Taxation**

Taxation revenue comprises the following amounts less transfer to other governments:

	<b>Actuals 2019</b>	<b>Actuals 2018</b>
<b>Taxes Collected:</b>		
General municipal purposes	\$ 8,450,342	\$ 7,953,731
Grants in lieu and 1% utility tax	172,097	167,917
Water and sewer parcel tax	2,977,916	2,570,196
School district	3,124,607	2,999,577
Regional hospital district	971,645	891,070
Regional district	1,480,883	1,332,669
BCAA and MFA	81,817	77,486
Library	414,149	386,677
	<u>\$ 17,673,457</u>	<u>\$ 16,379,323</u>
 <b>Less transfer to other governments</b>		
Province of BC (school taxes)	3,124,607	2,999,577
Cowichan Valley Regional Hospital District	971,645	891,070
Cowichan Valley Regional District	1,480,883	1,332,669
BC Assessment & Municipal Finance Authority	81,817	77,486
Vancouver Island Regional Library	414,149	386,677
	<u>6,073,103</u>	<u>5,687,479</u>
 <b>Net taxation for municipal purposes</b>	 <u><u>\$ 11,600,354</u></u>	 <u><u>\$ 10,691,844</u></u>

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 23 - Sale of Services**

	<b>Actuals 2019</b>	<b>Actuals 2018</b>
Administration recoveries	\$ 75,809	\$ 48,504
Cemetery services	21,580	32,250
Fire service agreements	88,504	82,152
Public Works recoveries	24,947	41,481
Recreation services	565,681	582,075
Sewer utility fees	1,466,705	1,296,801
Solid waste fees	664,979	642,413
Water utility fees	1,067,908	1,006,296
	<b><u>\$ 3,976,114</u></b>	<b><u>\$ 3,731,971</u></b>

**Note 24 – Licences, Permits, Rentals & Penalties**

	<b>Actuals 2019</b>	<b>Actuals 2018</b>
Facility Rentals & Leases	\$ 470,925	\$ 378,360
Fines	3,990	3,620
Licences	89,586	90,029
Penalties and interest	124,404	148,572
Permits, Licences & Fees	329,247	344,843
	<b><u>\$ 1,018,152</u></b>	<b><u>\$ 965,424</u></b>

*These notes form an integral part of these consolidated financial statements.*

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Note 25 – Grants**

	<u>Actuals 2019</u>	<u>Budget 2019</u>	<u>Actuals 2018</u>
<b>Operating Grants</b>			
Traffic Fines Revenue	\$ 55,613	\$ 45,684	\$ 45,684
Small Communities	463,119	465,515	465,515
CVRD Recreation	150,818	135,075	135,075
Other	34,882	15,164	29,672
	<u>704,432</u>	<u>661,438</u>	<u>675,946</u>
<b>Capital Grants</b>			
Age Friendly Walkability	\$ -	\$ -	\$ 9,000
Arts & Heritage Hub (Phase I)	-	3,874,500	-
Asset Management	-	-	9,152
Derelict Vessels	-	-	59,880
Holland Dam Construction	-	9,430,238	-
Machine Shop	742,051	1,716,585	35,968
Golf Course Trail & Net	3,386	-	7,846
Public Washroom	-	109,500	-
Stz'uminus First Nation Cooperation Protocol/C2C	-	-	610
Tree Replacements	4,000	4,800	6,100
Water Filtration Plant	5,388,626	5,388,626	2,853,538
	<u>6,138,063</u>	<u>20,524,249</u>	<u>2,982,094</u>
<b>Total Grants</b>	<u>\$ 6,842,495</u>	<u>\$ 21,185,687</u>	<u>\$ 3,658,040</u>

*These notes form an integral part of these consolidated financial statements.*

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Note 26 – Reserves & Appropriated Equity**

	Balance Dec. 31, 2018	Interest Allocated	Contributions	Funding	Balance Dec. 31, 2019
<b>RESERVES</b>					
Tax Sale	\$ 26,555	\$ 679	\$ -	\$ -	\$ 27,234
Perpetual Safety Fund	13,214	338	-	-	13,552
Sale Real Property	1,436,956	30,074	-	430,935	1,036,094
Municipal Office Building	355,000	-	60,000	-	415,000
Amenity Funds	96,989	2,482	-	-	99,470
<b>TOTAL RESERVES</b>	<b>\$ 1,928,713</b>	<b>\$ 33,573</b>	<b>\$ 60,000</b>	<b>\$ 430,935</b>	<b>\$ 1,591,351</b>
<b>APPROPRIATED EQUITY - OPERATIONS</b>					
General Operating Fund					
Future Projects	3,195,984	-	2,479,108	1,350,827	4,324,264
Equipment	768,357	-	181,308	80,000	869,665
Land & Building	90,719	-	127,565	-	218,284
Tax Contingency	7,986	-	-	-	7,986
Snow & Ice Removal	50,000	-	38,100	38,100	50,000
Infrastructure Deficit	691,331	-	216,262	495,703	411,890
Multi-Materials BC Rebate	380,325	-	102,200	-	482,525
	<u>5,184,702</u>	<u>-</u>	<u>3,144,543</u>	<u>1,964,631</u>	<u>6,364,614</u>
Water Operating Fund					
Future Projects	893,757	-	2,533,515	893,757	2,533,515
Capital Expenditures	1,307,858	-	1,450,513	259,999	2,498,371
MFA Surplus Refunds	524,076	-	-	-	524,076
Total Water Operating Fund	<u>2,725,690</u>	<u>-</u>	<u>3,984,027</u>	<u>1,153,756</u>	<u>5,555,961</u>
Sewer Operating Fund					
Future Projects	638,494	-	296,771	638,494	296,771
Capital Expenditures	431,289	-	583,107	80,000	934,395
Total Sewer Operating Fund	<u>1,069,783</u>	<u>-</u>	<u>879,878</u>	<u>718,494</u>	<u>1,231,166</u>
<b>TOTAL APPROPRIATED EQUITY</b>	<b>\$ 8,980,175</b>	<b>\$ -</b>	<b>\$ 8,008,448</b>	<b>\$ 3,836,882</b>	<b>\$ 13,151,741</b>
<b>TOTAL RESERVES AND APPROPRIATED EQUITY</b>	<b>\$ 10,908,888</b>	<b>\$ 33,573</b>	<b>\$ 8,068,448</b>	<b>\$ 4,267,817</b>	<b>\$ 14,743,092</b>

*These notes form an integral part of these consolidated financial statements.*



**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 27 - Segmented Information**

The Town 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), cemetery, recreation centre, 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 Services**

The City Manager is the liaison between Council and the Town departments and staff. The Corporate Services Department supports the legislated activities of Council, and provides information to citizens with respect to Council/Committee processes, reporting procedures and decisions, and Town activities. Also included in General Government Services is the Finance Department, Information Technology, Human Resources, and Waterfront Area Plan Implementation.

**Protective Services**

Protection is comprised of fire protection, policing, and bylaw enforcement:

- Bylaw enforcement administers, monitors, and seeks compliance with the bylaws enacted by the Mayor and Council to regulate the conduct of affairs in the Town of Ladysmith.
- Fire protection is provided by the fire department, whose volunteer members receive compensation for each callout in which they take part.
- Policing is provided under contract with the RCMP operating from a detachment building located in and owned by the Town of Ladysmith.

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 27 - Segmented Information (continued)**

**Transportation, Solid Waste and Cemetery**

The Transportation (Public Works) Department is responsible for the infrastructure of the Town. Public works provides and maintains Town's roads, sidewalks, street lights, signage and line markings, storm drainage and hydrants.

Solid Waste (Public Works) is responsible for the garbage collection, kitchen organics and recycling programs operating in the Town of Ladysmith. Solid waste collection is performed by a contractor.

Cemetery (Public Works) Department provides cemetery services including the maintenance of the cemetery grounds.

**Development**

The Development Services Department provides short-term and long-term land use planning services. Long-term Planning includes work with the community on reviewing the Town's Official Community Plan, developing new Neighbourhood Plans, the Trail Plan and the review of relevant bylaws. Short term Planning includes the processing of development applications.

The Town of Ladysmith's Development Services and Public Works Departments work together to regulate all construction within the Town. This is achieved through the use of the Town of Ladysmith's Building and Plumbing Bylaw, the British Columbia Building Code, the British Columbia Fire Code and other related bylaws and enactments with the Town of Ladysmith.

**Recreation and Culture**

The Parks, Recreation and Culture Department contribute to the quality of life and personal wellness of the community through the provision of a variety of special events, programs, services and facilities. The Frank Jameson Community Centre is the location where the majority of the programs are offered.

**Parks**

Parks includes and provides maintenance of beach area, trails, golf course, spray-park, ball parks, and any other civic grounds.

**TOWN OF LADYSMITH**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**Note 27 - Segmented Information (continued)**

**Water**

Water includes all of the operating activities related to the treatment and distribution of water throughout the Town as well as ensuring clean and safe water to the Town, supplied through underground pipes and reservoirs,

**Sewer**

Sewer includes all of the operating activities related to the collection and treatment of waste water (sewage) and bio-solids composting throughout the Town as well as maintaining a separate system of underground pipes to collect sewer or waste water for proper treatment prior to discharging it.

**Note 28 – Subsequent Events**

- (a) On February 18, 2020, the electors approved an additional \$6 million dollars in long-term debt to increase the Town's water supply. This new debt has not been executed.
- (b) Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on municipalities through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, municipal operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Town of Ladysmith as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, office closures and disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**TOWN OF LADYSMITH**  
**STATEMENT OF OPERATIONS BY SEGMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**SCHEDULE I**

	<b>General Government</b>		<b>Protective Services</b>		<b>Transportation, Garbage &amp; Cemetery Services</b>		<b>Development Services</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>REVENUE</b>								
Tax	\$ 8,622,439	\$ 8,121,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of services	75,809	48,504	93,554	84,976	685,985	679,009	-	-
Investment income & MFA Refunds	528,984	263,939	-	-	-	-	-	-
Licence, Permits, Rentals & Penalties	88,413	110,919	186,137	210,118	129,362	181,597	259,422	227,508
Grants	463,119	535,157	55,613	45,684	2,630	-	-	-
Donations & contributed property	-	16,000	200	-	1,476,165	229,490	-	-
Loss on foreign exchange	(15,931)	(51,120)	-	-	-	-	-	-
Gain (loss) on disposal	(47,138)	(1,205)	-	-	50,552	-	-	-
Development fees	-	-	-	-	67,000	-	-	-
Gas tax fund utilized	-	60,000	-	-	870,028	214,157	-	-
<b>Total revenue</b>	<b>9,715,695</b>	<b>9,103,841</b>	<b>335,504</b>	<b>340,778</b>	<b>3,281,723</b>	<b>1,304,253</b>	<b>259,422</b>	<b>227,508</b>
<b>EXPENSES</b>								
Contracted Services	507,875	625,463	747,895	1,078,113	682,000	796,183	62,575	66,582
Service Agreements/Grants In Aid	185,263	166,647	-	-	-	-	-	-
Insurance	56,798	75,556	25,302	21,523	-	5,035	-	-
Interest	23,824	5,912	32,185	24,501	-	-	-	-
Materials & Supplies	51,052	93,460	83,522	87,550	95,310	113,422	7,349	11,539
Utilities & Telephone	14,451	20,035	26,797	26,241	153,689	151,099	4,608	5,662
Wages & Benefits	1,735,904	1,662,778	302,391	299,033	916,015	939,000	475,630	471,407
Other	(33,525)	(183,413)	44,048	38,361	92,599	55,328	19,332	19,353
Amortization	238,370	232,555	180,881	167,589	867,385	818,927	4,128	4,128
<b>Total expenses</b>	<b>2,780,011</b>	<b>2,698,993</b>	<b>1,443,022</b>	<b>1,742,911</b>	<b>2,806,999</b>	<b>2,878,994</b>	<b>573,622</b>	<b>578,671</b>
<b>Surplus (Deficit)</b>	<b>\$ 6,935,683</b>	<b>\$ 6,404,848</b>	<b>\$ (1,107,518)</b>	<b>\$ (1,402,133)</b>	<b>\$ 474,724</b>	<b>\$ (1,574,741)</b>	<b>\$ (314,199)</b>	<b>\$ (351,163)</b>

**TOWN OF LADYSMITH**  
**STATEMENT OF OPERATIONS BY SEGMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**SCHEDULE I – CONTINUED**

Recreation & Culture Services		Parks Operations Services		Sewer Operations Services		Water Operations Services		Total Actual	Total Actual
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
\$ -	\$ -	\$ -	\$ -	\$ 1,219,735	\$ 1,093,742	\$ 1,758,181	\$ 1,476,454	\$ 11,600,354	\$ 10,691,844
565,681	582,075	20,057	34,310	1,466,705	1,296,801	1,068,323	1,006,296	3,976,114	3,731,971
-	-	-	-	-	-	-	-	528,984	263,939
319,430	201,741	-	-	20,534	17,546	14,854	15,996	1,018,152	965,424
921,240	206,676	11,267	16,984	-	-	5,388,626	2,853,538	6,842,495	3,658,040
137,000	35,144	50	6,000	357,191	32,540	144,343	29,040	2,114,949	348,214
-	-	-	-	-	-	-	-	(15,931)	(51,120)
-	-	-	-	(105,889)	-	(2,429)	-	(104,904)	(1,205)
-	-	10,000	-	-	43,000	-	-	77,000	43,000
6,085	123,914	2,902	-	14,229	-	-	-	893,245	398,071
1,949,436	1,149,550	44,276	57,295	2,972,504	2,483,628	8,371,898	5,381,323	26,930,458	20,048,178
365,151	338,806	182,667	70,461	226,401	241,093	235,867	133,276	3,010,431	3,349,977
-	-	-	-	-	-	-	-	185,263	166,647
46,852	39,772	4,304	4,180	39,425	17,297	11,220	11,210	183,901	174,573
28	210	-	-	173,823	182,458	143,780	28,798	373,639	241,880
132,637	151,321	120,573	95,350	175,014	170,104	139,235	117,907	804,693	840,653
206,542	217,964	7,612	7,345	153,428	144,441	14,755	11,086	581,882	583,872
1,869,742	1,881,723	459,391	443,250	540,003	559,911	618,386	462,277	6,917,463	6,719,378
41,547	27,927	83,809	76,555	217,479	212,236	215,089	206,923	680,377	453,270
235,038	230,257	235,611	233,732	1,328,429	1,260,213	400,075	388,631	3,489,917	3,336,032
2,897,536	2,887,980	1,093,968	930,872	2,854,002	2,787,753	1,778,406	1,360,108	16,227,567	15,866,282
\$ (948,101)	\$ (1,738,430)	\$ (1,049,691)	\$ (873,578)	\$ 118,502	\$ (304,124)	\$ 6,593,492	\$ 4,021,215	\$ 10,702,891	\$ 4,181,896

**TOWN OF LADYSMITH**  
**CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**SCHEDULE II**

	<u>Land</u>		<u>Land Improvements</u>		<u>Buildings</u>		<u>Vehicle Furniture &amp; Equipment</u>		<u>Transportation</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
<b>COST</b>									
Opening Balance	\$ 9,911,216	\$ 9,451,806	\$ 8,957,453	\$ 8,617,422	\$ 23,673,513	\$ 21,215,517	\$ 9,117,960	\$ 7,615,385	\$ 27,091,211
Add: Additions	581,000	459,410	316,082	340,031	148,941	2,457,996	195,898	1,503,780	2,175,360
Less: Disposals	-	-	14,150	-	108,246	-	382,112	1,205	19,346
Less: Write-downs	-	-	-	-	-	-	-	-	-
Closing Balance	<u>10,492,216</u>	<u>9,911,216</u>	<u>9,259,385</u>	<u>8,957,453</u>	<u>23,714,208</u>	<u>23,673,513</u>	<u>8,931,746</u>	<u>9,117,960</u>	<u>29,247,225</u>
 <b>ACCUMULATED AMORTIZATION</b>									
Opening Balance	-	-	3,467,017	3,225,903	6,722,614	6,101,426	4,503,637	4,040,969	15,984,274
Add: Amortization	-	-	253,398	241,114	667,338	621,188	513,123	462,668	626,464
Less: Write-downs	-	-	-	-	-	-	-	-	-
Less: Disposals	-	-	11,452	-	2,723	-	337,681	-	19,337
Closing Balance	<u>-</u>	<u>-</u>	<u>3,708,963</u>	<u>3,467,017</u>	<u>7,387,229</u>	<u>6,722,614</u>	<u>4,679,079</u>	<u>4,503,637</u>	<u>16,591,401</u>
 <b>Net Book Value</b>	<u><b>\$ 10,492,216</b></u>	<u><b>\$ 9,911,216</b></u>	<u><b>\$ 5,550,422</b></u>	<u><b>\$ 5,490,436</b></u>	<u><b>\$ 16,326,979</b></u>	<u><b>\$ 16,950,899</b></u>	<u><b>\$ 4,252,667</b></u>	<u><b>\$ 4,614,323</b></u>	<u><b>\$ 12,655,824</b></u>

**TOWN OF LADYSMITH**  
**CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**SCHEDULE II (CONTINUED)**

Linear Infrastructure										
Transportation	Sanitary Sewer		Storm		Water		Assets Under Construction		Total	
2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
\$ 26,843,386	\$ 35,946,824	\$ 35,914,284	\$ 8,708,158	\$ 8,607,481	\$ 16,937,080	\$ 16,713,617	\$ 4,786,319	\$ 2,997,471	\$ 145,129,734	\$ 137,976,369
247,825	347,413	32,540	554,482	100,677	909,647	223,463	11,735,065	4,017,206	16,963,887	9,382,928
-	1,933	-	444	-	11,360	-	404,868	2,228,358	942,459	2,229,563
-	-	-	-	-	-	-	-	-	-	-
27,091,211	36,292,304	35,946,824	9,262,196	8,708,158	17,835,367	16,937,080	16,116,516	4,786,319	161,151,162	145,129,734
15,385,190	8,811,591	7,822,993	2,430,628	2,312,727	5,517,832	5,212,353	-	-	47,437,593	44,101,561
599,084	991,814	988,598	123,385	117,901	314,395	305,479	-	-	3,489,917	3,336,032
-	-	-	-	-	-	-	-	-	-	-
-	1,567	-	444.00	-	8,931	-	-	-	382,135	-
15,984,274	9,801,838	8,811,591	2,553,569	2,430,628	5,823,296	5,517,832	-	-	50,545,375	47,437,593
\$ 11,106,937	\$ 26,490,466	\$ 27,135,233	\$ 6,708,627	\$ 6,277,530	\$ 12,012,071	\$ 11,419,248	\$ 16,116,516	\$ 4,786,319	\$ 110,605,787	\$ 97,692,141