



TOWN OF LADYSMITH

STATEMENT OF FINANCIAL INFORMATION

YEAR ENDED DECEMBER 31, 2020

**TOWN OF LADYSMITH
STATEMENT OF FINANCIAL INFORMATION
YEAR ENDED DECEMBER 31, 2020**

Financial Information Act

Prepared under the *Financial Information Regulation*, Schedule 1

Statement of Financial Information Approval

Please see 2020 Audited Financial Statements for:

- Management Report
- Statement of Assets and Liabilities – *See consolidated statement of financial position*
- Operational Statement – *See Schedule 1*
- Notes to the Financial Statements – *See all notes*
- Schedule of Debts - *See Notes 12-14*

Schedule of Guarantee and Indemnity Agreements

The Town of Ladysmith has not given any guarantees or indemnities under the Guarantees and Indemnities Regulation.

Statement of Severance Agreements

*There were **no** severance agreements made between the Town of Ladysmith and its non-unionized employees during fiscal year 2020.*

Schedule of Elected Official Remuneration and Expenses

Schedule of Employee Remuneration and Expenses

Schedule of Payments for Goods and Services

Appendix 1 - 2020 Audited Financial Statements

**TOWN OF LADYSMITH
STATEMENT OF FINANCIAL INFORMATION APPROVAL**

The undersigned, as authorized by the Financial Information Regulation, Section 1, subsection 9(2), approves all the statements and schedules included in this Statement of Financial Information, produced under the *Financial Information Act*.



Erin Anderson
Director of Financial Services
June 15, 2021



Aaron Stone
Mayor
June 15, 2021

TOWN OF LADYSMITH
SCHEDULE OF RENUMERATION AND EXPENSES FOR 2020

Elected Officials

NAME	POSITION	REMUNERATION	EXPENSES
Stone, Aaron	Mayor	\$37,676	\$945
Jacobson, Amanda	Councillor	15,552	-
Johnson, Robert	Councillor	15,552	350
McKay, Patricia	Councillor	15,552	936
Paterson, Donald	Councillor	15,552	-
Stevens, Andrew	Councillor	15,552	28
Virtanen, Jeffrey	Councillor	15,552	202
Total Elected Officials		\$130,988	\$2,460

Employees

NAME	POSITION	PAYROLL	EXPENSES
Anderson, Erin	Director of Financial Services/Acting CAO	\$149,298	\$2,984
Baker, Curtis	Cert Utility Op III - Utilities Supervisor	87,182	117
Barfoot, Christopher	Director of Parks, Recreation & Culture	90,191	15
Barney, Martin	Certified Utilities Operator I	92,781	1,023
Belobaba, Jake	Director of Development Services	124,419	787
Bollinger, Colin	Senior Building Inspector	89,243	702
Bouma, Neil	Certified Carpenter	83,066	189
Bouma, Ryan	Sr Engineer Tech/Approving Officer	94,114	2,826
Brown, Michael	Utilities Supervisor - Treatment & Supply	136,744	1,228
Fukakusa, Gerald	Manager of Accounting Services	114,513	1,149
Ganderton, Mike	Streets Supervisor	88,314	215
Geisbrecht, Kelly	Facilities Maintenance Supervisor	81,959	-
Glenn, Susan	Supervisor-Community Programs & Serv	76,638	-
Goldfuss, Kevin	Manager of Operations	121,465	19
Goodall, Geoff	Director of Infrastructure Services	149,327	1,126
Grueber, Gregory	Certified Utility Operator III	121,551	356
Jack, Isaac	Certified Utility Operator II (Backhoe)	80,275	1,242
Lassam, Shane	Equipment and Compost Operator IV	81,956	-
McLeod, Robert	Certified Utility Operator II - Watershed	87,586	439
Morgan, Michael	Equipment Operator III	84,544	189
Paydli, Ian	Manager of Human Resources	114,361	632
Simpson, Robert	Parks Maintenance Supervisor	88,611	448
Skelton, Simon	Sr Parks Maintenance Worker	78,922	857
Smith, Donna	Manager of Corporate Services	98,875	380
Thompson, Julie	Planner	75,280	1,880
Vaux, Ronald	Certified Mechanic	82,079	634
Winter, Joanna	Manager of Legislative Services	75,144	89
Winter, Wolf	Certified Wastewater Trmt Utility Op II	86,835	288
Total: Employees with remuneration greater than \$75,000		\$2,735,273	\$19,814
Add Employees with remuneration less than \$75,000		2,981,082	45,719
Add Elected officials		\$130,988	\$2,460
Total: All employees		\$5,847,343	\$67,992

Reconciliation with Financial Statements

Add Purchase of benefits	1,348,189
Less Capital labour	(121,989)
Add Accruals, statutory reporting and timing differences	44,643
Wages & Benefits - Schedule 1 Financial Statements	<u>7,118,186</u>

TOWN OF LADYSMITH
SCHEDULE OF PAYMENTS MADE FOR GOODS AND SERVICES IN 2020

Payee	Payments
518257 BC Ltd	\$ 46,328
Acme Supplies	26,323
Altec Industries	166,088
Ammeter Electric 1998 Inc	68,855
Andrew Sheret Ltd	62,011
Associated Engineering (BC) Ltd	1,159,621
ATS Traffic British Columbia Ltd	27,711
BC Assessment Authority	94,035
BC Hydro	574,122
Bridge Vault & Dominion Precast (Divs Of 794754	42,695
Centralsquare Canada Software Inc	33,564
Clean Harbors Canada Inc.	122,648
Cleartech Industries Inc	143,993
Coastal Animal Control Services Of BC Ltd.	38,234
Columbia Fuels A Div Of Parkland Fuel Corp	91,322
Communication Connection BC Inc (The)	31,156
Cowichan Valley Regional District	2,985,604
Cowichan Valley Regional Hospital District	1,055,222
David Stalker Excavating Ltd	639,360
District Of North Cowichan	107,894
F&M Installations Ltd	39,849
Flocor Inc	46,589
Gap Enviromicrobial Services Ltd	30,458
GFL Environmental Inc	26,691
Golder Associates Ltd	61,826
Graphically Speaking	51,496
Herold Engineering Ltd	50,882
Hotson Architecture Inc	35,736
Hub City Paving Ltd	48,011
ICBC	58,922
Island Aggregates Ltd	49,428
Island Tractor & Supply Ltd	34,634
Ivory Tower Investments Ltd	30,069
IWC Excavation Ltd	344,782
J Lealand Contracting	74,132
Jenkins Marzban Logan LLP In Trust	630,000
Koers & Associates Engineering Ltd	298,445
KTI Limited	28,265
Mastercraft Flooring Ltd	52,630
Metro Motors Ltd	73,052
Milestone Equipment Contracting Inc	190,314
Minister Of Finance	98,230
Ministry Of Small Business And Revenue	169,194
Municipal Finance Authority	90,595
Municipal Insurance Association Of BC	196,646

Payee	Payments
Municipal Pension Fund	499,570
NAC Constructors Ltd	487,612
Pacific Blue Cross	222,452
RECEIVER GENERAL (Payroll Only)	310,287
Receiver General For Canada	1,076,007
Ricoh Canada Inc	38,522
Rushworth Electrical Services Inc	42,632
Shaw Electrical Services Ltd	39,093
Sicom Industries Ltd	41,300
Slip Tube Enterprises Ltd	99,880
Steve Marshall Ford	44,174
Stewart Mcdannold Stuart	237,970
Stonhard	45,659
Telus Mobility	34,529
Trojan UV	85,785
Urban Systems Ltd.	50,307
US Bank	226,067
Vancouver Island Regional Library	429,529
Veer Holdings Inc	44,634
Waste Connections Of Canada Inc	280,497
Waterhouse Environmental Services Corporation	72,080
Westburne	26,219
Westerra Equipment LP	68,462
Windley Contracting Ltd	1,049,404
Worksafe BC	154,634
WSP Canada Group Ltd	174,191
WSP Canada Inc.	27,176
	\$ 16,236,336
Grants and contributions over \$25,000:	
Ladysmith & District Historical Society	35,538
Ladysmith Chamber Of Commerce	62,570
Ladysmith Resources Centre Association	44,478
Total payments over \$25,000	16,378,922
Payments under \$25,000	1,892,988
Grants under \$25,000	43,950
Total payments made	\$ 18,315,860
Reconciliation:	
Total payment made (above)	18,315,860
Expenses - Schedule 1 Financial Statements	18,796,572
Difference	(480,712)

Differences due to timing, cash versus accrual accounting and PSAB accounting

Appendix 1 -
2020 Audited Financial
Statements



INDEX TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Management Report

Independent Auditor's Report

Consolidated Financial Statements

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Schedules

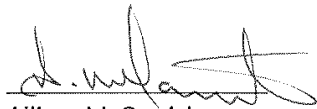
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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.



Allison McCarrick
Chief Administration Officer

Independent Auditor's Report

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, 2020, and the consolidated statements of operations, changes in net financial assets, cash flows and the 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, 2020, 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

April 20, 2021

Chartered Professional Accountants

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

		<u>2020</u>	<u>2019</u>
Financial Assets			
Cash and short-term deposits	(Note 2)	\$ 32,457,247	\$ 24,653,055
Accounts receivable	(Note 4)	<u>2,584,490</u>	<u>5,653,020</u>
		<u>35,041,737</u>	<u>30,306,075</u>
Liabilities			
Accounts payable and accrued liabilities	(Note 5)	4,461,984	3,560,551
Post-employment benefits	(Note 6)	319,100	262,400
Deferred revenue	(Note 7)	1,494,902	611,478
Refundable deposits and other	(Note 8)	1,366,204	819,767
Restricted reserves	(Note 9)	485,631	474,480
Development cost charge reserve	(Note 10)	4,472,558	3,714,388
Federal gas tax reserve	(Note 11)	1,607,008	1,474,035
Equipment financing	(Note 12)	857,420	915,645
Short-term financing	(Note 13)	952,700	952,700
Debenture debt	(Note 14)	<u>16,156,313</u>	<u>16,962,428</u>
		<u>32,173,820</u>	<u>29,747,871</u>
Net Financial Assets		<u>2,867,917</u>	<u>558,203</u>
Non-Financial Assets			
Tangible Capital Assets	(Schedule II)	113,991,578	110,605,787
Prepays		103,210	95,485
Inventory		<u>62,792</u>	<u>64,550</u>
		<u>114,157,580</u>	<u>110,765,823</u>
Accumulated Surplus	(Note 19)	<u>\$ 117,025,497</u>	<u>\$ 111,324,025</u>

Commitments and Contingencies (Note 15)
Significant Events (Note 28)


 Director of Financial Services

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2020

		<u>2020</u>	<u>Budget 2020</u> (Note 20)	<u>2019</u>
Revenue				
Taxation	(Note 22)	\$ 11,962,782	\$ 11,944,314	\$ 11,600,354
Sale of Services	(Note 23)	4,014,713	4,049,866	3,976,114
Investment Income		279,681	266,600	528,984
Licence, Permits, Rentals & Penalties	(Note 24)	910,582	797,701	1,018,152
Grants	(Note 25)	4,401,211	23,622,116	6,842,495
Donations & contributed tangible capital assets		2,588,706	2,259,044	2,114,949
Loss on foreign exchange		(2,531)	-	(15,931)
Loss on disposal of tangible capital assets		(38,647)	-	(104,904)
Development fees		78,447	939,850	77,000
Gas tax funds utilized	(Note 11)	303,100	1,418,286	893,245
		<u>24,498,044</u>	<u>45,297,777</u>	<u>26,930,458</u>
Expenses				
General government services		2,439,412	2,970,327	2,780,011
Protective services		1,935,494	2,134,294	1,443,022
Transportation services		2,383,547	2,609,187	2,250,325
Garbage services		429,609	527,487	527,606
Cemetery services		25,910	33,665	29,068
Development services		614,932	1,140,809	573,622
Recreation and cultural services		2,903,436	7,587,491	2,897,536
Parks operation services		958,428	1,403,061	1,093,968
Sewer		4,042,452	3,538,037	2,854,002
Water		3,063,352	5,579,704	1,778,406
		<u>18,796,572</u>	<u>27,524,062</u>	<u>16,227,567</u>
Annual Surplus		5,701,472	17,773,715	10,702,891
Accumulated Surplus, beginning of year		<u>111,324,025</u>	<u>111,324,025</u>	<u>100,621,134</u>
Accumulated Surplus - end of year		<u>\$ 117,025,497</u>	<u>\$ 129,097,740</u>	<u>\$ 111,324,025</u>

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
Operating Transactions		
Annual Surplus	\$ 5,701,472	\$ 10,702,891
Less non-cash items included in surplus:		
Amortization	3,872,923	3,489,917
Loss on disposal of tangible capital assets	38,647	104,904
Actuarial adjustments on debenture debt	(51,502)	(46,059)
Contributed tangible capital assets	(2,328,281)	(1,949,543)
	<u>7,233,260</u>	<u>12,302,110</u>
Change in		
Accounts receivable	3,068,530	(1,217,407)
Prepaid expenses	(7,725)	(6,098)
Inventory	1,758	9,682
Accounts payable and accrued liabilities	901,433	188,407
Post employment benefits	56,700	30,000
Deferred revenues	883,424	48,279
Refundable deposits and other	546,437	(58,264)
Restricted reserves	11,151	32,290
Development cost charge reserve	758,170	550,717
Gas tax reserve	132,973	(32,734)
Cash provided by operating transactions	<u>13,586,110</u>	<u>11,846,983</u>
Capital Transactions		
Proceeds on sale of tangible capital assets	16,845	50,552
Cash used to acquire tangible capital assets	(4,985,924)	(14,609,476)
Cash used by capital transactions	<u>(4,969,079)</u>	<u>(14,558,924)</u>
Repayment of long-term debt and equipment financing		
Proceeds of long-term financing	-	6,000,000
Repayment of debt	(812,838)	(660,706)
Net increase (decrease) in cash from financing	<u>(812,838)</u>	<u>5,339,294</u>
Increase in Cash and Short-Term Deposits	7,804,193	2,627,353
Cash and Short-Term Deposits - Beginning of Year	24,653,055	22,025,702
Cash and Short-Term Deposits - End of Year	<u>\$ 32,457,247</u>	<u>\$ 24,653,055</u>

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2020

	<u>2020</u>	<u>Budget 2020 (Note 20)</u>	<u>2019</u>
Annual Surplus	\$ 5,701,472	\$ 17,773,715	\$ 10,702,891
Acquisition of tangible capital assets	(7,314,206)	(33,262,196)	(16,559,019)
Amortization of tangible capital assets	3,872,923	3,436,284	3,489,917
Loss on sale of tangible capital assets	38,647	-	104,904
Proceeds from sale of tangible capital assets	16,845	-	50,552
Decrease in inventories	1,758	-	9,682
Increase in prepaids	<u>(7,725)</u>	<u>-</u>	<u>(6,098)</u>
Change in Net Financial Assets	<u>2,309,714</u>	<u>(12,052,197)</u>	<u>(2,207,171)</u>
Net Financial Assets, beginning of year	<u>558,203</u>		<u>2,765,374</u>
Net Financial Assets, end of year	<u><u>\$ 2,867,917</u></u>		<u><u>\$ 558,203</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, 2020

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, 2020

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, 2020

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(g). 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, 2020

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, 2020.

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, 2020

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, 2020.

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, 2020

Note 2 - Cash and Short-Term Deposits

Cash and short-term deposits were comprised as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 31,642,537	\$ 23,845,187
Short-term deposits	<u>814,710</u>	<u>807,868</u>
	<u>\$ 32,457,247</u>	<u>\$ 24,653,055</u>

Included in Cash is a deposit of \$180,168 (the equivalent of \$141,903 US Funds based on the exchange rate at the Ladysmith and District Credit Union on December 31, 2020). 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>2020</u>	<u>2019</u>
Restricted reserves	\$ 485,631	\$ 474,480
Federal gas tax reserve	1,607,008	1,474,035
Development cost charges reserve	<u>4,472,558</u>	<u>3,714,388</u>
Total restricted cash	<u>\$ 6,565,197</u>	<u>\$ 5,662,903</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, 2020

Note 4 - Accounts Receivable

	<u>2020</u>	<u>2019</u>
Property taxes	\$ 926,947	\$ 852,318
Other government	611,262	3,807,963
User fees and other	1,033,536	981,267
Developer receivables	5,139	5,139
Employee receivables	<u>7,606</u>	<u>6,333</u>
	<u>\$ 2,584,490</u>	<u>\$ 5,653,020</u>

Note 5 - Accounts Payable and Accrued Liabilities

	<u>2020</u>	<u>2019</u>
General	\$ 1,784,974	\$ 1,462,671
Other governments	469,554	204,763
Salaries and wages	147,687	273,802
Contractor holdbacks	1,952,085	1,507,649
Accrued interest	<u>107,684</u>	<u>111,666</u>
	<u>\$ 4,461,984</u>	<u>\$ 3,560,551</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, 2020

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, 2020. The change in the liability in the financial statements in respect of obligations under the plan amounts to \$56,100 (\$30,000 - 2019).

The accrued post-employment benefits are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 262,400	\$ 232,400
Current service costs	31,300	29,600
Benefits paid	(48,700)	(17,600)
Actuarial loss	74,100	18,000
Past service credit	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 319,100</u>	<u>\$ 262,400</u>

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

	<u>2020</u>	<u>2019</u>
Discount Rate	2.00%	2.70%
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, 2020

Note 7 - Deferred Revenue

	<u>2020</u>	<u>2019</u>
Licence fees & charges	\$ 20,053	\$ 21,401
Rental payments	12,441	12,441
Property tax prepayments	570,269	441,645
Subdivisions prepayments	107,215	80,515
Recreation prepayments	30,070	30,169
Utilities prepayments	22,175	14,125
Government grant prepayments	731,332	-
Other	1,347	11,182
	<u>\$ 1,494,902</u>	<u>\$ 611,478</u>

Note 8 - Refundable Deposits and Other

	<u>2020</u>	<u>2019</u>
Developer performance deposits	\$ 841,422	\$ 373,978
Damage deposits	299,500	279,000
Other	225,282	166,789
	<u>\$ 1,366,204</u>	<u>\$ 819,767</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, 2020

Note 9 - Restricted Reserves

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

Description	Balance Dec. 31, 2019	Interest	Contributions	Expenditures	Balance Dec. 31, 2020
Parking	\$ 107,230	\$ 1,418	\$ -	\$ -	\$ 108,648
Green Streets	1,518	20	-	-	1,538
Amphitheatre	9,862	132	500	-	10,494
B&G - Capital	50,173	692	5,064	-	55,929
LRCA/Seniors - Capital	305,697	846	2,480	-	309,022
TOTAL	\$ 474,480	\$ 3,108	\$ 8,044	\$ -	\$ 485,631

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, 2019	Interest	Contributions	Expenditures	Balance Dec. 31, 2020
DCC - Water	\$ 840,809	\$ 11,034	\$ 140,558	\$ (78,447)	\$ 913,954
DCC - Parks	861,816	12,054	148,871	-	1,022,740
DCC - Roads	850,116	12,199	204,955	-	1,067,270
DCC - Sewer	755,882	11,430	274,672	-	1,041,983
DCC - Storm	405,765	5,454	15,392	-	426,611
TOTAL	\$ 3,714,388	\$ 52,170	\$ 784,447	\$ (78,447)	\$ 4,472,558

Developers may be entitled to DCC credits in certain circumstances. There was \$41,867 provided in DCC-Water credits, \$1,358 in DCC-Parks credits, \$15,398 in DCC-Roads credits, \$2,018 in DCC-Sewer credits and \$1,450 in DCC-Storm credits (\$0 – 2019).

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 (\$0 – 2020). The funds are recorded on the consolidated financial statements as a restricted reserve.

	<u>2020</u>	<u>2019</u>
Opening balance of unspent funds	\$ 1,474,035	\$ 1,506,769
Add: Amounts received during the year	414,804	819,763
Interest earned	21,269	40,747
Less: Gas tax funds utilized	(303,100)	(893,245)
Closing balance of unspent funds	<u>\$ 1,607,008</u>	<u>\$ 1,474,035</u>

Note 12 - Obligations under Equipment Financing

The total equipment financing outstanding with the Municipal Finance Authority of British Columbia as at December 31, 2020 was \$857,420 (\$915,645 - 2019).

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 monthly varying rate (December, 2020 was 1.2%). The balance of the loan at December 31, 2020, which is included in equipment financing, is \$219,594 (\$254,960 - 2019). Loan to expire May 2022.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 monthly varying rate (December, 2020 was 1.2%). The balance of the loan at December 31, 2020, which is included in equipment financing, is \$637,825 (\$660,685 – 2019). 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:

2021	\$ 65,652
2022	44,112
2023	187,703
2024	559,953

Interest in the consolidated statement of operations is calculated as \$15,285 (\$23,829 - 2019).

The total equipment financing issued and outstanding with the MFA as at December 31, 2020 was \$857,420 (\$915,645 as at December 31, 2019). This balance is made up of:

	<u>Balance Dec. 31, 2019</u>	<u>Principal Payments</u>	<u>Balance Dec. 31, 2020</u>	<u>Interest</u>
Spartan Fire Truck	\$ 254,960	\$ 35,366	\$ 219,594	\$ 4,130
Pumper Truck	<u>660,685</u>	<u>22,860</u>	<u>637,826</u>	<u>11,155</u>
	<u>\$ 915,645</u>	<u>\$ 58,226</u>	<u>\$ 857,420</u>	<u>\$ 15,285</u>

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 13 – Short-term Financing

The total short-term financing outstanding with the Municipal Finance Authority of British Columbia as at December 31, 2020 was \$952,700 (\$952,700 – 2019). 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, 2020 \$952,700 in short-term financing was executed. Interest is charged at a daily varying rate (December 31, 2020 was 1.21). The full amount borrowed must be repaid by 2023.

Short-term interest in the consolidated statement of operations is calculated at \$15,627 (\$23,824 – 2019).

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, 2020, the cash balance of the Town's debt reserve funds was \$228,114 (\$223,515 – 2019). Debt reserve funds are not recorded elsewhere in the financial statements.

The total long-term debt issued and outstanding with the MFA as at December 31, 2020 was \$16,156,313 (\$16,962,428 as at December 31, 2019). This balance is made up of:

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 14 - Debenture Debt (continued)

	Original Amount	Balance Dec 31, 2019	Principal Payments	Balance Dec 31, 2020	Interest	Actuarial Adjustment	Interest Rate
<u>General Capital Fund</u>							
RCMP Building Issue #97 Term 2006-2031	\$ 2,750,000	\$ 1,652,082	\$ 109,950	\$ 1,542,132	\$ 48,125	\$ (43,916)	1.75%
<u>Water Capital Fund</u>							
Water Improvements Issue #118 Term 2012-2037	1,000,000	810,346	31,598	778,748	34,000	(7,586)	3.40%
Water Filtration Plant Issue #147 Term 2019-2044	6,000,000	6,000,000	164,567	5,835,433	159,600	-	2.66%
<u>Sewer Capital Fund</u>							
Sewer Treatment Plant Issue #138 Term 2016-2036	10,000,000	8,500,000	500,000	8,000,000	164,455	-	1.88%
	<u>\$ 19,750,000</u>	<u>\$ 16,962,428</u>	<u>\$ 806,115</u>	<u>\$ 16,156,313</u>	<u>\$ 406,180</u>	<u>\$ (51,502)</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
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
2025	66,033	67,738	188,579	40,643	500,000	-	862,993
Thereafter	396,197	526,590	3,414,921	2,121,348	5,500,000	-	11,959,057

Debt interest, net of actuarial adjustment included in the consolidated statement of operations, is calculated at \$354,678 (\$339,425 - 2019).

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.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020 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, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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, 2020

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 \$499,569 (2019 - \$483,383) for employer contributions to the Plan in fiscal 2020.

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, 2020

Note 15 - Commitments and Contingencies (continued)

(d) Service Agreements & Rental Payments

Rental payments under operating leases are expensed as incurred.

Service Agreements

	<u>2020</u>	<u>2019</u>
Ladysmith & District Historical Society	\$ 28,038	\$ 42,550
Ladysmith Resources Centre Association	42,978	42,137
Ladysmith Chamber of Commerce & Visitor Centre	<u>60,400</u>	<u>43,400</u>
	<u>\$ 131,416</u>	<u>\$ 128,087</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 (\$0 - 2020). The future payments are expected to be \$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 payment is expected to be \$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. In July of 2020, the Town entered into 2-year pilot project with the Ladysmith Chamber of Commerce to promote economic development and tourism services. The annual payments are \$17,000 in 2020 and \$17,000 in 2021.

	<u>2020</u>	<u>2019</u>
132c Roberts Street - office space	\$ 28,598	\$ 27,998
17 & 25 Roberts Street - parking lot	<u>8,700</u>	<u>8,400</u>
	<u>\$ 37,298</u>	<u>\$ 36,398</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 \$2,506 for 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 \$775 for 2021, \$800 for 2022, and \$825 for 2023.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 16 - Significant Taxpayers

The Town is reliant upon 10 taxpayers for approximately 11.91% (12.88% - 2019) of the total property tax revenue which includes Western Forest Products at approximately 6.50% (6.72% - 2019) 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>2020</u>	<u>2019</u>
Assets		
Cash and short term investment	<u>\$ 164,942</u>	<u>\$ 161,557</u>
Equity		
Opening balance	\$ 161,557	\$ 159,737
Interest	2,153	4,065
Transfer interest to fund cemetery costs	(2,153)	(4,065)
Contributions	3,385	1,820
Refunds	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 164,942</u>	<u>\$ 161,557</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, 2020

Note 19 - Accumulated Surplus

The Town segregates its accumulated surplus in the following categories:

	<u>2020</u>	<u>2019</u>
Appropriated Equity <i>(Note 26)</i>		
Continuing projects	\$ 3,482,640	\$ 4,098,375
General fund	5,545,769	5,096,526
Water fund	2,665,835	3,022,446
Sewer fund	943,580	934,395
	<u>12,637,824</u>	<u>13,151,741</u>
Unappropriated Equity		
General fund	1,753,516	1,619,889
Water fund	616,151	616,151
Sewer fund	1,412,450	1,874,945
General capital fund	254,812	233,910
Sewer capital fund	14,943	14,942
Water capital fund	446,073	446,073
	<u>4,497,945</u>	<u>4,805,911</u>
Reserve Funds		
Reserve funds <i>(Note 26)</i>	<u>3,864,577</u>	<u>1,591,351</u>
Equity in Tangible Capital Assets	<u>96,025,150</u>	<u>91,775,023</u>
Total Accumulated Surplus	<u><u>\$ 117,025,497</u></u>	<u><u>\$ 111,324,025</u></u>

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 20 - Annual Budget

Fiscal plan amounts represent the Financial Plan Bylaw adopted by Council on May 5th, 2020.

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	(7,430,000)
Transfers to/from own funds	(5,609,964)
Less:	
Principal payments on debt	987,767
Capital expenditures per budget	42,391,743
Capital Expenditures expensed according to Tangible Capital Asset Policy	<u>(9,129,547)</u>
Adjusted Annual Surplus	<u><u>\$ 17,773,715</u></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, 2020

Note 22 – Taxation

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

	Actuals 2020	Actuals 2019
Taxes Collected:		
General municipal purposes	\$ 8,720,390	\$ 8,450,342
Grants in lieu and 1% utility tax	173,002	172,097
Water and sewer parcel tax	3,069,391	2,977,916
School district	3,070,875	3,130,367
Regional hospital district	1,056,358	971,645
Regional district	1,583,873	1,480,883
BCAA and MFA	93,350	81,817
Library	429,596	414,149
	<u>\$ 18,196,835</u>	<u>\$ 17,679,217</u>
 Less transfer to other governments		
Province of BC (school taxes)	3,070,875	3,130,367
Cowichan Valley Regional Hospital District	1,056,358	971,645
Cowichan Valley Regional District	1,583,873	1,480,883
BC Assessment & Municipal Finance Authority	93,350	81,817
Vancouver Island Regional Library	429,596	414,149
	<u>6,234,052</u>	<u>6,078,861</u>
 Net taxation for municipal purposes	 <u><u>\$ 11,962,782</u></u>	 <u><u>\$ 11,600,354</u></u>

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 23 - Sale of Services

	<u>Actuals 2020</u>	<u>Actuals 2019</u>
Administration recoveries	\$ 42,616	\$ 75,809
Cemetery services	22,705	21,580
Fire service agreements	85,475	88,504
Public Works recoveries	5,969	24,947
Recreation services	200,245	565,681
Sewer utility fees	1,615,628	1,466,705
Solid waste fees	674,628	664,979
Water utility fees	1,367,447	1,067,908
	<u>\$ 4,014,713</u>	<u>\$ 3,976,114</u>

Note 24 – Licences, Permits, Rentals & Penalties

	<u>Actuals 2020</u>	<u>Actuals 2019</u>
Facility Rentals & Leases	\$ 280,352	\$ 470,925
Fines	2,440	3,990
Licences	86,825	89,586
Penalties and interest	129,142	124,404
Permits, Licences & Fees	411,823	329,247
	<u>\$ 910,582</u>	<u>\$ 1,018,152</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, 2020

Note 25 – Grants

	<u>Actuals 2020</u>	<u>Budget 2020</u>	<u>Actuals 2019</u>
Operating Grants			
Traffic Fines Revenue	\$ 60,081	\$ 55,613	\$ 55,613
Small Communities	459,947	463,119	463,119
CVRD Recreation	165,361	166,145	150,818
COVID Restart Plan	2,343,000	-	-
Other	48,857	16,900	34,882
	<u>3,077,246</u>	<u>701,777</u>	<u>704,432</u>
Capital Grants			
Arts & Heritage Hub (Phase I)	\$ -	\$ 3,834,370	\$ -
Childcare Space Creation	-	875,110	-
Downtown Patio	13,490	-	-
Downtown Public Washroom	-	109,500	-
Emergency Support Service Program	17,437	-	-
Golf Course Trail & Net	3,516	-	3,386
ICBC Sign Reflectors	18,350	18,350	-
Machine Shop	974,534	978,209	742,051
Poverty Reduction	17,075	-	-
Stocking Lake Dam Repair	-	175,000	-
Tree Replacements	2,700	4,800	4,000
UV Pilot Study	147,766	10,000	-
Water Filtration Plant	-	-	5,388,626
Water Supply Infrastructure	-	16,910,000	-
Waterfront Stage 1 Remediation	129,097	-	-
Youth Communication Plan	-	5,000	-
	<u>1,323,965</u>	<u>22,920,339</u>	<u>6,138,063</u>
Total Grants	<u>\$ 4,401,211</u>	<u>\$ 23,622,116</u>	<u>\$ 6,842,495</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, 2020

Note 26 – Reserves & Appropriated Equity

	Balance Dec. 31, 2019	Interest Allocated	Contributions	Funding	Balance Dec. 31, 2020
RESERVES					
Amenity Funds	\$ 99,470	\$ 1,381	\$ 16,000	\$ -	\$ 116,852
Covid Safe Restart	-	-	2,343,000	116,524	2,226,476
Municipal Office reserve	415,000	-	60,000	-	475,000
Perpetual Safety Fund	13,552	181	-	-	13,733
Sale Real Property	1,036,094	13,524	-	44,699	1,004,919
Tax Sale	27,234	364	-	-	27,598
TOTAL RESERVES	\$ 1,591,351	\$ 15,449	\$ 2,419,000	\$ 161,223	\$ 3,864,577
APPROPRIATED EQUITY					
General Operating Fund					
Continuing Projects	1,268,089	-	2,081,879	1,268,089	2,081,879
Future Projects	3,056,176	-	553,224	424,477	3,184,922
Equipment	869,665	-	271,935	306,219	835,382
Land & Building	218,284	-	214,139	1,935	430,487
Tax Contingency	7,986	-	-	-	7,986
Snow & Ice Removal	50,000	-	-	-	50,000
Infrastructure Deficit	411,890	-	236,525	236,266	412,150
Solid Waste	482,525	-	142,316	-	624,841
	<u>6,364,614</u>	<u>-</u>	<u>3,500,018</u>	<u>2,236,985</u>	<u>7,627,646</u>
Water Operating Fund					
Continuing Projects	2,533,515	-	1,058,070	2,533,515	1,058,070
Future Projects	2,498,371	-	339,428	696,039	2,141,760
MFA Surplus Refunds	524,076	-	-	-	524,076
Water Operating Fund Total	<u>5,555,961</u>	<u>-</u>	<u>1,397,498</u>	<u>3,229,554</u>	<u>3,723,906</u>
Sewer Operating Fund					
Continuing Projects	296,771	-	342,691	296,771	342,691
Future Projects	934,395	-	74,186	65,000	943,581
Sewer Operating Fund	<u>1,231,166</u>	<u>-</u>	<u>416,877</u>	<u>361,771</u>	<u>1,286,272</u>
TOTAL APPROPRIATED EQUITY	\$ 13,151,741	\$ -	\$ 5,314,393	\$ 5,828,310	\$ 12,637,824
TOTAL RESERVES & APPROPRIATED EQUITY	\$ 14,743,092	\$ 15,449	\$ 7,733,393	\$ 5,989,533	\$ 16,502,401

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, 2020

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, 2020

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, 2020

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 – Significant events

- (a) In March 2020, 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, 2020

SCHEDULE I

	General Government		Protective Services		Transportation, Garbage & Cemetery Services		Development Services	
	2020	2019	2020	2019	2020	2019	2020	2019
REVENUE								
Tax	\$ 8,893,392	\$ 8,622,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of services	42,617	75,809	86,150	93,554	699,326	685,985	-	-
Investment income & MFA Refunds	279,681	528,984	-	-	-	-	-	-
Licence, Permits, Rentals & Penalties	89,199	88,413	163,206	186,137	159,479	129,362	312,732	259,422
Grants	2,802,947	463,119	60,081	55,613	31,840	2,630	129,097	-
Donations & contributed property	16,000	-	7,035	200	1,576,383	1,476,165	-	-
Loss on foreign exchange	(2,531)	(15,931)	-	-	-	-	-	-
Gain (loss) on disposal	(27,727)	(47,138)	-	-	16,845	50,552	-	-
Development fees	-	-	-	-	-	67,000	-	-
Gas tax fund utilized	-	-	-	-	46,035	870,028	-	-
Total revenue	12,093,578	9,715,695	316,472	335,504	2,529,909	3,281,723	441,829	259,422
EXPENSES								
Contracted Services	368,567	507,875	1,264,658	747,895	644,247	682,000	67,035	62,575
Service Agreements/Grants In Aid	172,972	185,263	-	-	-	-	-	-
Insurance	62,286	56,798	19,487	25,302	-	-	-	-
Interest	15,627	23,824	19,547	32,185	-	-	-	-
Materials & Supplies	60,876	51,052	99,255	83,522	137,107	95,310	11,671	7,349
Utilities & Telephone	15,180	14,451	6,173	26,797	148,947	153,689	4,846	4,608
Wages & Benefits	1,705,469	1,735,904	304,106	302,391	930,328	916,015	515,810	475,630
Other	(205,483)	(33,525)	41,384	44,048	56,762	92,599	11,442	19,332
Amortization	243,919	238,370	180,884	180,881	921,674	867,385	4,128	4,128
Total expenses	2,439,412	2,780,011	1,935,494	1,443,022	2,839,066	2,806,999	614,932	573,622
Surplus (Deficit)	\$ 9,654,166	\$ 6,935,683	\$ (1,619,021)	\$ (1,107,518)	\$ (309,157)	\$ 474,724	\$ (173,103)	\$ (314,199)

TOWN OF LADYSMITH
STATEMENT OF OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

SCHEDULE I – CONTINUED

Recreation & Culture Services		Parks Operations Services		Sewer Operations Services		Water Operations Services		Total Actual	Total Actual
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
\$ -	\$ -	\$ -	\$ -	\$ 1,291,500	\$ 1,219,735	\$ 1,777,891	\$ 1,758,181	\$ 11,962,782	\$ 11,600,354
200,245	565,681	3,300	20,057	1,615,628	1,466,705	1,367,447	1,068,323	4,014,713	3,976,114
-	-	-	-	-	-	-	-	279,681	528,984
145,963	319,430	-	-	21,469	20,534	18,535	14,854	910,582	1,018,152
1,215,088	921,240	14,392	11,267	147,766	-	-	5,388,626	4,401,211	6,842,495
12,400	137,000	2,336	50	331,892	357,191	642,660	144,343	2,588,706	2,114,949
-	-	-	-	-	-	-	-	(2,531)	(15,931)
-	-	-	-	(2,276)	(105,889)	(25,489)	(2,429)	(38,647)	(104,904)
-	-	-	10,000	-	-	78,447	-	78,447	77,000
-	6,085	-	2,902	257,065	14,229	-	-	303,100	893,245
1,573,696	1,949,436	20,028	44,276	3,663,044	2,972,504	3,859,490	8,371,898	24,498,044	26,930,458
512,660	365,151	33,627	182,667	1,187,875	226,401	702,925	235,867	4,781,593	3,010,431
-	-	-	-	-	-	-	-	172,972	185,263
55,811	46,852	4,580	4,304	40,911	39,425	16,902	11,220	199,977	183,901
-	28	-	-	164,455	173,823	186,257	143,780	385,884	373,639
136,299	132,637	108,225	120,573	325,106	175,014	294,131	139,235	1,172,671	804,693
186,034	206,542	10,323	7,612	167,284	153,428	72,965	14,755	611,751	581,882
1,734,056	1,869,742	444,552	459,391	620,944	540,003	862,922	618,386	7,118,186	6,917,463
39,788	41,547	106,515	83,809	189,709	217,479	240,497	215,089	480,614	680,377
238,788	235,038	250,607	235,611	1,346,169	1,328,429	686,754	400,075	3,872,923	3,489,917
2,903,436	2,897,536	958,428	1,093,968	4,042,452	2,854,002	3,063,352	1,778,406	18,796,572	16,227,567
\$ (1,329,740)	\$ (948,101)	\$ (938,400)	\$ (1,049,691)	\$ (379,409)	\$ 118,502	\$ 796,138	\$ 6,593,492	\$ 5,701,472	\$ 10,702,891

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

SCHEDULE II

	<u>Land</u>		<u>Land Improvements</u>		<u>Buildings</u>		<u>Vehicle Furniture & Equipment</u>		<u>Transportation</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
COST									
Opening Balance	\$ 10,492,216	\$ 9,911,216	\$ 9,259,385	\$ 8,957,453	\$ 23,714,208	\$ 23,673,513	\$ 8,931,746	\$ 9,117,960	\$ 29,247,225
Add: Additions	26,365	581,000	299,683	316,082	2,054,162	148,941	791,818	195,898	1,066,059
Less: Disposals	-	-	26,000	14,150	27,290	108,246	385,912	382,112	-
Less: Write-downs	-	-	-	-	-	-	-	-	-
Closing Balance	<u>10,518,581</u>	<u>10,492,216</u>	<u>9,533,068</u>	<u>9,259,385</u>	<u>25,741,080</u>	<u>23,714,208</u>	<u>9,337,652</u>	<u>8,931,746</u>	<u>30,313,284</u>
 ACCUMULATED AMORTIZATION									
Opening Balance	-	-	3,708,963	3,467,017	7,387,229	6,722,614	4,679,079	4,503,637	16,591,401
Add: Amortization	-	-	263,537	253,398	695,912	667,338	538,593	513,123	653,211
Less: Write-downs	-	-	-	-	-	-	-	-	-
Less: Disposals	-	-	4,511	11,452	12,301	2,723	369,174	337,681	-
Closing Balance	<u>-</u>	<u>-</u>	<u>3,967,989</u>	<u>3,708,963</u>	<u>8,070,840</u>	<u>7,387,229</u>	<u>4,848,498</u>	<u>4,679,079</u>	<u>17,244,612</u>
 Net Book Value	<u>\$ 10,518,581</u>	<u>\$ 10,492,216</u>	<u>\$ 5,565,079</u>	<u>\$ 5,550,422</u>	<u>\$ 17,670,240</u>	<u>\$ 16,326,979</u>	<u>\$ 4,489,154</u>	<u>\$ 4,252,667</u>	<u>\$ 13,068,672</u>

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

SCHEDULE II (CONTINUED)

Linear Infrastructure										
Transportation	Sanitary Sewer		Storm		Water		Assets Under Construction		Total	
2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
\$ 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
2,175,360	1,344,687	347,413	743,208	554,482	16,060,473	909,647	948,447	11,735,065	23,334,902	16,963,887
19,346	213,885	1,933	-	444	142,297	11,360	16,020,696	404,868	16,816,080	942,459
-	-	-	-	-	-	-	-	-	-	-
29,247,225	37,423,106	36,292,304	10,005,404	9,262,196	33,753,543	17,835,367	1,044,267	16,116,516	167,669,984	161,151,162
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
626,464	1,000,640	991,814	134,346	123,385	586,684	314,395	-	-	3,872,923	3,489,917
-	-	-	-	-	-	-	-	-	-	-
19,337	211,609	1,567	-	444	142,297	8,931	-	-	739,892	382,135
16,591,401	10,590,869	9,801,838	2,687,915	2,553,569	6,267,683	5,823,296	-	-	53,678,406	50,545,375
\$ 12,655,824	\$ 26,832,237	\$ 26,490,466	\$ 7,317,489	\$ 6,708,627	\$ 27,485,860	\$ 12,012,071	\$ 1,044,267	\$ 16,116,516	\$ 113,991,578	\$ 110,605,787