



TOWN OF LADYSMITH



2023

AUDITED FINANCIAL STATEMENTS



INDEX TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Management Report

Independent Auditor's Report

Consolidated Financial Statements

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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

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, 2023, and the consolidated statements of operations net financial assets and cash flows for the year then ended, and notes and schedules 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, 2023, and the results of its consolidated operations net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 16, 2024

MNP LLP

Chartered Professional Accountants

MNP
LLP

**TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

		2023	2022
Financial Assets			
Cash and short-term deposits	(Note 3)	\$ 45,156,809	\$ 40,683,632
Accounts receivable	(Note 5)	2,423,885	2,704,470
		47,580,694	43,388,102
Liabilities			
Accounts payable and accrued liabilities	(Note 6)	2,544,282	2,862,982
Post-employment benefits	(Note 7)	334,200	288,800
Deferred revenue	(Note 8)	2,016,048	2,327,152
Refundable deposits and other	(Note 9)	2,102,252	2,683,721
Restricted reserves	(Note 10)	535,460	510,976
Development cost charge reserve	(Note 11)	8,944,041	7,966,939
Canada Community-Building reserve	(Note 12)	1,690,208	1,972,401
Equipment financing	(Note 13)	2,763,478	2,834,578
Debenture debt	(Note 14)	13,670,140	14,511,912
Asset Retirement obligation	(Note 15)	3,086,870	-
		37,686,979	35,959,461
Net Financial Assets		9,893,715	7,428,641
Non-Financial Assets			
Tangible Capital Assets	(Schedule II)	121,941,879	116,279,171
Prepays		90,502	114,569
Inventory		87,215	84,600
		122,119,596	116,478,340
Accumulated Surplus	(Note 20)	\$ 132,013,311	\$ 123,906,981

Commitments and Contingencies (Note 16)



Director of Financial Services

**TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2023**

	<u>2023</u>	<u>Budget 2023</u> (Note 21)	<u>2022</u>
Revenue			
Taxation (Note 23)	\$ 12,896,686	\$ 12,887,337	\$ 12,810,369
Sale of Services (Note 24)	5,103,849	4,756,112	4,724,280
Investment Income	1,792,143	650,000	899,100
Licence, Permits, Rentals & Penalties (Note 25)	1,306,204	907,475	1,161,641
Grants (Note 26)	6,104,747	19,993,976	2,401,280
Donations and contributed tangible capital assets	4,681,127	3,647,598	954,078
Loss on foreign exchange	(2,752)	-	12,300
Gain (loss) on disposal of tangible capital assets	(670,565)	-	57,755
Development fees	307,100	3,396,165	-
Canada Community-Building funds utilized (Note 12)	830,201	1,221,299	639,367
	<u>32,348,740</u>	<u>47,459,962</u>	<u>23,660,170</u>
Expenses			
General government services	3,294,048	7,829,720	2,697,917
Protective services	2,812,208	2,920,836	2,130,266
Transportation services	2,880,132	3,855,879	2,669,338
Garbage services	552,275	619,271	501,989
Cemetery services	44,236	33,013	40,640
Development services	827,332	1,144,275	910,441
Recreation and cultural services	3,936,935	3,698,994	3,233,520
Parks operation services	1,086,114	1,376,147	1,035,279
Sewer	2,981,962	4,440,567	3,207,547
Water	5,827,168	5,402,534	3,679,395
	<u>24,242,410</u>	<u>31,321,236</u>	<u>20,106,332</u>
Annual Surplus	8,106,330	16,138,726	3,553,838
Accumulated Surplus, beginning of year	<u>123,906,981</u>	<u>123,906,981</u>	<u>120,353,143</u>
Accumulated Surplus - end of year	<u>\$ 132,013,311</u>	<u>\$ 140,045,707</u>	<u>\$ 123,906,981</u>

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
Operating Transactions		
Annual Surplus	\$ 8,106,330	\$ 3,553,838
Less non-cash items included in surplus:		
Amortization	4,419,318	4,210,987
Loss on disposal of tangible capital assets	670,565	(57,755)
Actuarial adjustments on debenture debt	(81,554)	(73,075)
Asset Retirement Obligations	3,086,870	-
Contributed tangible capital assets	(4,515,891)	(899,546)
	<u>11,685,638</u>	<u>6,734,447</u>
Change in		
Accounts receivable	280,585	(360,196)
Prepaid expenses	24,067	(11,430)
Inventory	(2,615)	1,763
Accounts payable and accrued liabilities	(318,700)	(509,168)
Post employment benefits	45,400	(25,800)
Deferred revenues	(311,104)	(1,153,890)
Refundable deposits and other	(581,469)	324,653
Restricted reserves	24,484	15,240
Development cost charge reserve	977,102	1,080,805
Canada Community-Building reserve	(282,193)	(147,727)
Cash provided by operating transactions	<u>11,541,195</u>	<u>5,948,696</u>
Capital Transactions		
Proceeds on sale of tangible capital assets	35,315	184,050
Cash used to acquire tangible capital assets	(6,272,015)	(6,097,589)
Cash used by capital transactions	<u>(6,236,700)</u>	<u>(5,913,539)</u>
Repayment of long-term debt and equipment financing		
Proceeds of equipment loans	-	2,100,000
Repayment of debt	(831,318)	(1,764,363)
Net Decrease in cash from financing	<u>(831,318)</u>	<u>335,637</u>
Increase in Cash and Short-Term Deposits	4,473,177	370,794
Cash and Short-Term Deposits - Beginning of Year	<u>40,683,632</u>	<u>40,312,838</u>
Cash and Short-Term Deposits - End of Year	<u>\$ 45,156,809</u>	<u>\$ 40,683,632</u>

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2023

	<u>2023</u>	<u>Budget 2023</u> (Note 21)	<u>2022</u>
Annual Surplus	\$ 8,106,330	\$ 16,138,726	\$ 3,553,838
Acquisition of tangible capital assets	(10,787,906)	(29,611,059)	(6,997,135)
Amortization of tangible capital assets	4,419,318	4,210,984	4,210,984
Loss (gain) on sale of tangible capital assets	670,565	-	(57,755)
Proceeds from sale of tangible capital assets	35,315	-	184,050
Decrease (Increase) in inventories	(2,615)	-	1,763
Increase (Decrease) in prepaids	24,067	-	(11,430)
Change in Net Financial Assets	<u>2,465,074</u>	<u>(9,261,349)</u>	<u>884,315</u>
Net Financial Assets, beginning of year	<u>7,428,641</u>		<u>6,544,326</u>
Net Financial Assets, end of year	<u>\$ 9,893,715</u>		<u>\$ 7,428,641</u>

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 - Change in Accounting Policies

Asset retirement obligations

Effective January 1, 2023, the Town adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 Asset Retirement Obligations. The new standard establishes when to recognize and how to measure a liability for an asset retirement obligation, and provides the related financial statement presentation and disclosure requirements.

Under the new standard, a liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset when certain criteria are met, as described in Note 2(k).

Pursuant to the recommendations, the change was applied prospectively and prior periods have not been restated. As such, the Town recognized asset retirement obligations for those arising on or after January 1, 2023, as well as for those arising prior to January 1, 2023 but for which an obligation was not previously recognized.

The cumulative effect in the current year of adopting this new standard is to increase liabilities by \$3,086,870 and increase expenses by \$3,086,870.

Financial instruments

Effective January 1, 2023, the Town adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 Financial Instruments. The new Section is applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 2 - 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 expected benefits of 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 Ladysmith Harbour Economic Development Corporation (formally DL 2016 Holdings Corporation), a wholly owned subsidiary of the Town.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 2 - Significant Accounting Policies (continued)

(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 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.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 2 - Significant Accounting Policies (continued)

(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 Note 2 (g). These revenues are comprised of the amounts shown in Note 10, 11 and 12.

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, asset retirement obligations, 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, 2023

Note 2 - Significant Accounting Policies (continued)

(g) Revenue Recognition

Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year. Sales of services revenue are recognized when the services are rendered. Investment income is accrued as earned. Licences, permits, rentals and penalty revenues are recognized when the service has been provide or the amount is earned and when collection is reasonably assured.

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, 2023

Note 2 - 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, 2023.

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.

(k) Asset Retirement Obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the Town to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at December 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 2 - Significant Accounting Policies - (l) Asset Retirement Obligations (continued)

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(m) Financial Instruments

The Town recognizes its financial instruments when the Town becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Town may irrevocably elect to subsequently measure any financial instrument at fair value. The Town has not made such an election during the year.

The Town subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. The Town has not presented a statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains (losses). Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating annual surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 3 - Cash and Short-Term Deposits

Cash and short-term deposits were comprised as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 44,283,003	\$ 39,851,882
Short-term deposits	<u>873,806</u>	<u>831,750</u>
	<u>\$ 45,156,809</u>	<u>\$ 40,683,632</u>

Included in Cash is a deposit of \$199,850 (the equivalent of \$151,377 US Funds based on the exchange rate at the Ladysmith and District Credit Union on December 31, 2023) (\$199,031 equivalent of \$145,149 US Funds – 2022). 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>2023</u>	<u>2022</u>
Restricted reserves	\$ 535,460	\$ 510,976
Canada Community-Building Fund reserve	1,690,208	1,972,401
Development cost charges reserve	<u>8,928,374</u>	<u>7,951,271</u>
Total restricted cash	<u>\$ 11,154,042</u>	<u>\$ 10,434,648</u>

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 4 - 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 3, the fair value of these financial instruments approximates their carrying values.

Note 5 - Accounts Receivable

	<u>2023</u>	<u>2022</u>
Employee receivables	\$ 6,563	\$ 1,989
Other government	464,628	698,877
Property taxes	850,529	972,621
User fees and other	1,102,165	1,030,983
	<u>\$ 2,423,885</u>	<u>\$ 2,704,470</u>

Note 6 - Accounts Payable and Accrued Liabilities

	<u>2023</u>	<u>2022</u>
General	\$ 1,439,952	\$ 1,803,410
Other governments	814,885	555,118
Salaries and wages	173,903	203,457
Contractor holdbacks	20,215	202,355
Accrued interest	95,327	98,642
	<u>\$ 2,544,282</u>	<u>\$ 2,862,982</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, 2023

Note 7 - 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 November 1, 2023 and has been extrapolated to December 31, 2023. The change in the liability in the financial statements in respect of obligations under the plan amounts to \$45,400 (-\$25,800 - 2022).

The accrued post-employment benefits are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 288,800	\$ 314,600
Current service costs	38,600	38,900
Benefits paid	(91,700)	(14,200)
Actuarial gain	98,500	(50,500)
Balance, end of year	<u>\$ 334,200</u>	<u>\$ 288,800</u>

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

	<u>2023</u>	<u>2022</u>
Discount Rate	4.10%	4.40%
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, 2023

Note 8 - Deferred Revenue

	<u>2023</u>	<u>2022</u>
Licence fees & charges	\$ 14,914	\$ 21,239
Rental payments	14,165	13,330
Property tax prepayments	742,298	676,873
Subdivisions prepayments	189,700	170,950
Recreation prepayments	38,536	28,628
Utilities prepayments	34,131	27,086
Government grant prepayments	970,086	1,385,546
Other	12,218	3,500
	<u>\$ 2,016,048</u>	<u>\$ 2,327,152</u>

Note 9 - Refundable Deposits and Other

	<u>2023</u>	<u>2022</u>
Developer performance deposits	\$ 1,048,182	\$ 1,205,416
Damage deposits	359,265	422,990
Other	694,805	1,055,315
	<u>\$ 2,102,252</u>	<u>\$ 2,683,721</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, 2023

Note 10 - Restricted Reserves

There are two reserves, LRCA Capital and B&G Capital for the replacement of specific building components located at 630 2nd Avenue and 220 High Street. The Town renewed the operating leases with the Ladysmith Seniors Society and the Ladysmith Resources Community Association (LRCA) in 2021.

Description	Balance		Interest	Contributions	Expenditures	Balance	
	Dec. 31, 2022					Dec. 31, 2023	
Parking	\$ 112,677	\$ 7,735	\$ -	\$ -	\$ -	\$ 120,412	
Green Streets	1,595	93	-	-	(1,688)	-	
Amphitheatre	11,186	796	700	-	-	12,682	
B&G - Capital	68,422	4,008	5,064	-	-	77,494	
LRCA/Seniors - Capital	317,094	5,185	2,594	-	-	324,872	
TOTAL	\$ 510,976	\$ 17,816	\$ 8,358	\$ (1,688)	\$ 535,460		

Note 11 - Development Cost Charges Reserve

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

Description	Balance		Interest	Contributions	Expenditures	Balance	
	Dec. 31, 2022					Dec. 31, 2023	
DCC - Water	\$ 2,574,053	\$ 160,107	\$ 422,445	\$ -	\$ 3,156,605		
DCC - Parks	913,070	64,790	60,293	(50,000)	988,153		
DCC - Parks Dedication	502,558	17,001	-	-	519,559		
DCC - Roads	1,633,802	87,701	127,179	(257,100)	1,591,582		
DCC - Sewer	1,816,991	108,732	176,161	-	2,101,884		
DCC - Storm	526,465	30,730	29,064	-	586,259		
TOTAL	\$ 7,966,939	\$ 469,061	\$ 815,142	\$ (307,100)	\$ 8,944,041		

Developers may be entitled to DCC credits in certain circumstances. There were no DCC credits provided in 2023 (\$13,024 for all DCC programs – 2022).

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 12 – Canada Community-Building Fund Reserve

The Canada Community-Building (CCB) funding (formally known as 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. Canada Community-Building funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements. The funds are recorded on the consolidated financial statements as a restricted reserve.

	2023	2022
Opening balance of unspent funds	\$ 1,972,401	\$ 2,120,128
Add: Amounts received during the year	452,892	433,786
Interest earned	95,116	57,854
Less: Canada Community-Building funds utilized	(830,201)	(639,367)
	\$ 1,690,208	\$ 1,972,401

Note 13 - Obligations under Equipment Financing

The total equipment financing outstanding with the Municipal Finance Authority of BC (MFABC) as at December 31, 2023 was \$2,763,478 (\$2,834,578 - 2022). This balance is made up of:

	Balance Dec 31, 2022	Principal Payments	Balance Dec 31, 2023
Spartan Fire Truck	\$ 145,409	\$ 33,861	\$ 111,548
Pumper Truck	589,425	6,875	582,550
Aerial Truck	2,099,744	30,364	2,069,380
	\$ 2,834,578	\$ 71,100	\$ 2,763,478

Interest in the consolidated statement of operations is calculated as \$146,568 (\$29,250 - 2022).

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 13 - Obligations under Equipment Financing (continued)

- 1) A five-year equipment loan agreement with the MFABC renewed June of 2022 in the amount of \$166,214 for the purchase of a 2012 Spartan fire truck. The balance of the loan at December 31, 2023 was \$111,548 (\$145,410 - 2022). The remaining obligation will be repaid with monthly loan payments in the amount of \$3,388 including interest at a monthly varying rate (December, 2023 was 5.63%) (4.51% - 2022). Loan to is set to expire July 2026.

- 2) A five-year equipment loan agreement with the MFABC renewed October of 2023 in the amount of \$586,408 for the purchase of a 2018 Spartan fire truck. The balance of the loan at December 31, 2023 was \$582,550 (\$589,425 - 2022). The remaining obligation will be repaid with monthly loan payments in the amount of \$4,050 including interest at a monthly varying rate (December, 2023 was 5.63%) (4.51% - 2022). The loan is set to expire September 2028.

- 3) A new five-year equipment loan agreement with the MFABC renewed December of 2023 in the amount of \$2,069,380 for the purchase of an Aerial fire truck. The balance of the loan at December 31, 2023 was \$2,069,380 (\$2,099,744 - 2022). The remaining obligation will be repaid with monthly loan payments in the amount of \$13,116 including interest at a monthly varying rate (December, 2023 was 5.63%) (4.51% - 2022). The loan is set to expire December 2028.

The future minimum loan payments payable to MFABC for all three equipment loan obligations are as follows:

2024	\$	93,599
2025		99,432
2026		104,595
2027		69,451
2028		67,905
Thereafter		2,328,497

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 14 - Debenture Debt

The Town of Ladysmith secures its long-term borrowing through the Municipal Finance Authority of BC (MFABC). As a condition of each borrowing, a portion of the debenture proceeds is retained by the MFABC as a debt reserve fund. As at December 31, 2023, the cash balance of the Town's debt reserve funds was \$244,548 (\$237,176 - 2022). Debt reserve funds are not recorded elsewhere in the financial statements.

The total long-term debt issued and outstanding with MFABC as at December 31, 2023 was \$13,670,140 (\$14,511,912 as at December 31, 2022). This balance is made up of:

	Original Amount	Balance Dec 31, 2022	Principal Payments	Balance Dec 31, 2023	Interest Rate
<u>General Capital Fund</u>					
RCMP Building Issue #97 Term 2006-2031	\$ 2,750,000	\$ 1,308,863	\$ 123,679	\$ 1,185,184	1.75%
<u>Water Capital Fund</u>					
Water Improvements Issue #118 Term 2012-2037	1,000,000	711,710	38,266	673,444	3.39%
Water Filtration Plant Issue #147 Term 2019-2044	6,000,000	5,491,339	179,827	5,311,512	2.66%
<u>Sewer Capital Fund</u>					
Sewer Treatment Plant Issue #138 Term 2016-2036	10,000,000	7,000,000	500,000	6,500,000	1.38%
	<u>\$ 19,750,000</u>	<u>\$ 14,511,912</u>	<u>\$ 841,772</u>	<u>\$ 13,670,140</u>	

Debt interest, net of actuarial adjustment included in the consolidated statement of operations, is calculated at \$386,847 (\$408,692 - 2022). The actuarial amount recognized is calculated at \$93,044 (\$73,075 - 2022).

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 14 - Debenture Debt (continued)

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
2024	66,033	62,593	194,185	30,451	500,000	-	853,262
2025	66,033	67,738	194,185	37,190	500,000	-	865,146
2026	66,033	73,088	194,185	44,132	500,000	-	877,438
2027	66,033	78,653	194,185	51,281	500,000	-	890,152
2028	66,033	84,441	194,185	58,645	500,000	-	903,304
Thereafter	198,099	290,409	2,899,633	1,892,699	4,000,000	-	9,280,840

On February 18, 2020, the electors approved an additional \$6.2 million dollars in long-term debt to increase the Town’s water supply. This new debt has not been executed. In February of 2024, the Town initiated a borrowing of \$13.5 million dollars in long-term debt to redevelop the Buller Street lot. This new debt has not been approved at this time.

Note 15 – Asset Retirement Obligations

The Town has buildings containing asbestos, lead paint, and other hazardous materials and is legally required to remove the noted items when it becomes necessary to repair or replace the buildings. The Town recognized a liability of \$336,870 for the asset retirement obligation and a corresponding amount has been expense as the effective buildings have been fully amortized.

The Town has a water course with several waters weir and is legally required to decommission the weirs as they have reached the end of there useful life. The Town recognized a liability of \$2,750,000 for the asset retirement obligation and a corresponding amount has been expensed.

The Town estimated the amount of the liabilities using undiscounted future expenditures estimated to retire the tangible capital asset.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 16 - 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, 2023 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, 2022, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 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, 2023

Note 16 - Commitments and Contingencies – (b) Pension Liability (continued)

The most recent actuarial valuation for the Municipal Pension Plan as of December 31, 2021, indicated a \$3.761 billion funding surplus for basic pension benefits on a going concern basis.

The Town of Ladysmith paid \$484,189 (2022 - \$506,763) for employer contributions to the plan in fiscal 2023.

The next valuation will be as at December 31, 2024.

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, 2023

Note 16 - Commitments and Contingencies (continued)

(d) Service Agreements & Rental Payments

Service Agreements

	<u>2023</u>	<u>2022</u>
Ladysmith & District Historical Society	\$ 29,627	\$ 29,046
Ladysmith Resources Centre Association	45,608	44,713
Ladysmith Chamber of Commerce & Visitor Centre	60,400	60,400
	<u>\$ 135,635</u>	<u>\$ 134,159</u>

In 2022, the Town renewed a 2-year Service Agreement with the Ladysmith & District Historical Society (LDHS) for the occupancy, operation and management of the museum and archives and with the Ladysmith Resources Centre Association (LRCA). Both agreements may be renegotiated in 2024.

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 2022 and 2023, the Town provided an additional \$17,000 to the Ladysmith Chamber of Commerce to promote economic development and tourism services.

Rental payments under operating leases are expensed as incurred.

Rental Payments

	<u>2023</u>	<u>2022</u>
132c Roberts Street - office space	\$ 32,277	\$ 31,975
17 & 25 Roberts Street - parking lot	9,900	9,600
	<u>\$ 42,177</u>	<u>\$ 41,575</u>

In December of 2023, the Town signed a 2-year lease with Ivory Tower Investments Ltd for the use of office space at 132c Roberts Street which expires January of 2026. The future monthly payments are \$2,872 for the term of the agreement.

In December of 2023, the Town signed a 5-year lease agreement with Paul Jorjorian for the rental of the 17 & 25 Roberts Street Parking Lot which expires December 2028. The future monthly payments are 2024 for \$900, 2025 for \$950, 2026 for \$1,000, 2027 for \$1,000 and 2028 for \$1,000.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 17 - Significant Taxpayers

The Town is reliant upon 10 taxpayers for approximately 12.82% (11.31% - 2022) of the total property tax revenue which includes Western Forest Products at approximately 7.05% (6.25% - 2022) of the total property tax revenue.

Note 18 - 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>2023</u>	<u>2022</u>
Assets		
Cash and short term investment	<u>\$ 179,999</u>	<u>\$ 174,827</u>
Equity		
Opening balance	\$ 174,827	\$ 169,227
Interest	10,024	4,717
Transfer interest to fund cemetery costs	(10,024)	(4,717)
Contributions	5,387	5,600
Refunds	<u>(215)</u>	<u>-</u>
Balance, end of year	<u>\$ 179,999</u>	<u>\$ 174,827</u>

Note 19 - 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, 2023

Note 20 - Accumulated Surplus

The Town segregates its accumulated surplus in the following categories:

	2023	2022
Appropriated Equity <i>(Note 27)</i>		
Continuing projects	\$ 6,077,954	\$ 6,887,947
General fund	8,539,308	6,983,188
Water fund	-	2,153,202
Sewer fund	1,257,743	737,965
	15,875,005	16,762,303
Unappropriated Equity		
General fund	2,576,163	2,771,233
Water fund	104,470	593,612
Sewer fund	1,413,079	1,411,885
General capital fund	345,846	304,084
Sewer capital fund	32,529	32,529
Water capital fund	-	446,073
	4,472,086	5,559,414
Reserve Funds		
Reserve funds <i>(Note 27)</i>	6,157,953	2,652,577
Equity in Tangible Capital Assets	105,508,266	98,932,686
Total Accumulated Surplus	\$ 132,013,311	\$ 123,906,981

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, 2023

Note 21 - Annual Budget

Fiscal plan amounts represent the Financial Plan Bylaw adopted by Council on May 2nd, 2023.

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		(4,210,984)
Proceeds from new debt		(4,088,725)
Transfers to/from own funds		(6,188,341)
Less:		
Principal payments on debt		1,015,717
Capital expenditures per budget		38,050,368
Capital Expenditures expensed according to Tangible Capital Asset Policy		<u>(8,439,309)</u>
Adjusted Annual Surplus	\$	<u>16,138,726</u>

Note 22 - Ladysmith Harbour Economic Development Corporation

The Town of Ladysmith has an investment in the Ladysmith Harbour Economic Development Corporation (formerly DL 2016 Holdings Corporation or DL 2016), a wholly owned subsidiary company of the Town.

Up until December 31, 2023, the Town of Ladysmith leased portions of its waterfront from the Province of British Columbia parts of which were subleased to the Corporation which entered in an operating and maintenance agreement with Ladysmith Maritime Society (LMS). A portion of the moorage revenues from LMS are owed to the Corporation.

As of December 31, 2023, the Town no longer leases the area from the Province of British Columbia.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 23 – Taxation

	<u>Actuals</u> <u>2023</u>	<u>Actuals</u> <u>2022</u>
Taxes Collected:		
General municipal purposes	\$ 9,449,418	\$ 9,459,445
Grants in lieu and 1% utility tax	194,031	180,092
Water and sewer parcel tax	3,253,237	3,170,831
School district	4,270,577	3,934,148
Regional hospital district	1,142,384	1,101,390
Regional district	2,529,286	1,782,845
BCAA and MFA	121,721	111,385
Library	486,749	444,033
	<u>21,447,403</u>	<u>20,184,171</u>
 Less transfer to other governments		
Province of BC (school taxes)	4,270,577	3,934,148
Cowichan Valley Regional Hospital District	1,142,384	1,101,390
Cowichan Valley Regional District	2,529,286	1,782,845
BC Assessment & Municipal Finance Authority	121,721	111,385
Vancouver Island Regional Library	486,749	444,033
	<u>8,550,718</u>	<u>7,373,802</u>
 Net taxation for municipal purposes	 <u>\$ 12,896,686</u>	 <u>\$ 12,810,369</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, 2023

Note 24 - Sale of Services

	<u>Actuals</u> <u>2023</u>	<u>Budget</u> <u>2023</u>	<u>Actuals</u> <u>2022</u>
Administration recoveries	\$ 82,010	\$ 20,600	\$ 44,180
Cemetery services	47,375	34,140	40,135
Fire service agreements	199,498	121,762	129,159
Public Works recoveries	39,657	-	35,935
Recreation services	640,590	514,958	503,183
Sewer utility fees	1,791,907	1,751,960	1,701,741
Solid waste fees	735,650	692,492	710,377
Water utility fees	1,567,162	1,620,200	1,559,570
	<u>\$ 5,103,849</u>	<u>\$ 4,756,112</u>	<u>\$ 4,724,280</u>

Note 25 - Licences, Permits, Rentals & Penalties

	<u>Actuals</u> <u>2023</u>	<u>Budget</u> <u>2023</u>	<u>Actuals</u> <u>2022</u>
Facility Rentals & Leases	\$ 440,948	\$ 316,325	\$ 365,417
Fines	6,495	2,450	3,745
Licences	100,352	103,000	111,726
Penalties and interest	156,624	130,830	128,718
Permits, Licences & Fees	601,785	354,870	552,035
	<u>\$ 1,306,204</u>	<u>\$ 907,475</u>	<u>\$ 1,161,641</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, 2023

Note 26 – Grants

	<u>Actuals</u> <u>2023</u>	<u>Budget</u> <u>2023</u>	<u>Actuals</u> <u>2022</u>
Operating Grants			
Traffic Fines Revenue	\$ 43,000	\$ 37,933	\$ 53,393
Small Communities	436,000	446,000	567,000
Growing Communities Fund	3,406,000	3,406,000	-
Climate Action Program	99,082	-	99,082
CVRD Recreation	810,565	810,565	174,990
Community to Community	-	5,000	-
Other	16,966	17,698	30,238
	<u>4,811,613</u>	<u>4,723,196</u>	<u>924,703</u>
Capital Grants			
Arts & Heritage Hub - Phase 1	123,804	3,187,836	270,747
Childcare Space Creation	348,866	348,865	508,793
Colonia/Delcourt Active Transportation	304,693	270,793	25,550
Dogwood Bike Lanes Design	23,754	25,752	11,248
Downtown Refresh	247,809	390,622	16,833
4th Ave Improvement (Root to White St)	44,700	-	-
OCP Review - Phase 1	-	-	18,351
Poverty Reduction - Stream 2	19,445	25,000	25,000
Poverty Reduction - Stream 3	24,800	50,000	-
Stocking Lake Dam Repair	-	-	21,544
Tourism - Transfer Beach	113,913	113,913	547,807
Transfer Beach Railing	-	-	10,000
Transfer Beach Spray Park Resurfacing	-	-	20,704
Amphitheatre Event Tent	41,350	-	-
Water Supply Infrastructure	-	10,857,999	-
	<u>1,293,134</u>	<u>15,270,780</u>	<u>1,476,577</u>
Total Grants	<u>\$ 6,104,747</u>	<u>\$ 19,993,976</u>	<u>\$ 2,401,280</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, 2023

Note 27 – Reserves & Appropriated Equity

	Balance Dec 31, 2022	Interest Allocated	Contributions	Funding	Balance Dec 31, 2023
Reserves					
Amenity Funds	\$ 126,395	\$ 9,998	\$ 48,000	\$ -	\$ 184,393
Covid Safe Restart	1,422,311	-	-	(100,000)	1,322,311
Growing Communities (Note 29)	-	-	3,406,000	-	3,406,000
Climate Action Program	99,082	-	99,082	(45,064)	153,100
Municipal Office reserve	595,000	-	60,000	-	655,000
Filming reserve	580	31	22	-	633
Perpetual Safety Fund	14,254	951	-	-	15,205
Sale Real Property	366,311	24,444	-	-	390,755
Tax Sale	28,645	1,911	-	-	30,556
Total Reserves	\$ 2,652,577	\$ 37,336	\$ 3,613,104	\$ (145,064)	\$ 6,157,953
Appropriated Equity					
General Operating Fund					
Continuing Projects	3,895,748	-	2,009,683	(3,895,748)	2,009,683
Future Projects	3,118,278	-	636,852	(181,531)	3,573,599
Equipment	1,694,732	-	571,111	(83,670)	2,182,173
Land & Building	448,637	-	137,144	(23,708)	562,073
Tax Contingency	7,986	-	-	-	7,986
Snow & Ice Removal	50,000	-	40,000	-	90,000
Infrastructure Deficit	683,917	-	279,731	-	963,648
Solid Waste	979,638	-	180,191	-	1,159,829
	10,878,936	-	3,854,712	(4,184,657)	10,548,991
Water Operating Fund					
Continuing Projects	1,200,639	-	1,949,515	(1,200,639)	1,949,515
Future Projects	1,629,127	-	421,084	(2,050,211)	-
MFA Surplus Refunds	524,076	-	-	(524,076)	-
Water Operating Fund Total	3,353,841	-	2,370,600	(3,774,926)	1,949,515
Sewer Operating Fund					
Continuing Projects	1,791,560	-	2,118,756	(1,791,560)	2,118,756
Future Projects	737,965	-	545,778	(26,000)	1,257,743
Sewer Operating Fund	2,529,526	-	2,664,534	(1,817,561)	3,376,499
Total Appropriated Equity	\$ 16,762,303	\$ -	\$ 8,889,846	\$ (9,777,144)	\$ 15,875,005
Total Reserves & Appropriated Equity	\$ 19,414,881	\$ 37,336	\$ 12,502,949	\$ (9,922,207)	\$ 22,032,958

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, 2023

Note 28 - 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:

General Government Services

General Government provides the administrative and legislative activities that supports Council and the departments of the Town. Also included in General Government Services is the financial planning and reporting, Information Technology, Human Resources, and Waterfront Area Plan Implementation.

Protective Services

Fire protection, includes a full-time Fire Chief and the fire department consists of paid on-call fire fighters who volunteer their service and receive compensating for each callout in which they take part. The fire department oversees a fleet a fire vehicles necessary to respond to calls.

Policing services is provided under contract with the RCMP. The Town is responsible for funding eight of the members within the detachment. The detachment occupies a building located in and owned by the Town of Ladysmith.

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.

Transportation, Solid Waste and Cemetery Services

The Transportation (Public Works) Department is responsible for the infrastructure of the Town. Public works provides and maintains Town's roads, sidewalks, streetlights, 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.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 28 - Segmented Information (continued)

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

Development Services

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 Neighborhood Plans, the Trail Plan and the review of relevant bylaws. Short term Planning includes the processing of development applications.

Recreation and Cultural Services

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 (FJCC) is the location where the majority of the programs are offered. Funding from the regional partially funds the FJCC facility.

Parks Operation Services

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

Water Services

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 Services

Sewer includes all of the operating activities related to the collection and treatment of wastewater (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.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Note 29 – Growing Communities Fund

The Province of British Columbia distributed conditional Growing Communities Fund (GCF) grants to communities at the end of March 2023 to help local governments build community infrastructure and amenities to meet the demands of population growth. The GCF provided a one-time total of \$1 billion in grants to all 161 municipalities and 27 regional districts in British Columbia.

The Town of Ladysmith received \$3,406,000 of GCF funding in March 2023.



TOWN OF LADYSMITH
STATEMENT OF OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

SCHEDULE I

	General Government		Protective Services		Transportation, Garbage & Cemetery Services		Development Services	
	2023	2022	2023	2022	2023	2022	2023	2022
REVENUE								
Tax	\$ 9,643,448	\$ 9,639,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of services	33,718	31,423	200,498	129,159	833,548	791,662	36,134	2,146
Investment income	1,792,143	899,100	-	-	-	-	-	-
Licence, Permits, Rentals & Penalties	108,947	84,855	210,999	191,340	231,951	188,238	434,822	428,613
Grants	3,941,082	666,082	43,000	53,393	625,649	58,803	-	18,351
Donations & contributed property	48,000	5,000	-	-	3,279,902	699,771	-	-
Loss on foreign exchange	-	2,752	-	-	-	-	-	-
Gain (loss) on disposal	-	685,052	-	-	32,640	14,050	-	-
Development fees	-	-	-	-	257,100	-	-	-
CCB funds utilized	-	-	-	-	520,894	369,316	11,137	180,933
Total revenue	14,879,534	11,385,688	454,497	373,892	5,781,684	2,121,839	482,093	630,042
EXPENSES								
Contracted Services	577,329	319,045	1,819,005	1,422,875	968,655	792,636	51,825	226,237
Service Agreements/Grants In Aid	196,594	197,277	-	-	-	-	-	-
Insurance	81,901	77,772	16,024	16,294	-	-	-	-
Interest	-	19,834	130,997	18,367	-	-	-	-
Materials & Supplies	51,918	48,017	96,866	80,688	162,998	145,580	18,525	22,849
Utilities & Telephone	13,930	12,092	10,049	4,680	132,908	135,625	4,091	4,944
Wages & Benefits	2,082,667	1,964,709	416,794	325,702	1,092,543	1,095,282	741,674	644,351
Other	(12,502)	(223,934)	56,618	31,256	65,082	74,359	8,872	9,714
Amortization	302,212	283,106	265,854	230,405	1,054,456	968,486	2,345	2,345
Total expenses	3,294,048	2,697,918	2,812,208	2,130,267	3,476,643	3,211,967	827,332	910,442
Surplus (Deficit)	\$ 11,585,486	\$ 8,687,769	\$ (2,357,711)	\$ (1,756,375)	\$ 2,305,040	\$ (1,090,129)	\$ (345,239)	\$ (280,399)

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

TOWN OF LADYSMITH
STATEMENT OF OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

SCHEDULE I - CONTINUED

Recreation & Culture Services		Parks Operations Services		Sewer Operations Services		Water Operations Services		Total Actual	Total Actual
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
\$ -	\$ -	\$ -	\$ -	\$ 1,393,920	\$ 1,336,300	\$ 1,859,317	\$ 1,834,531	\$ 12,896,686	\$ 12,810,369
640,590	503,183	-	-	1,792,199	1,702,104	1,567,162	1,564,602	5,103,849	4,724,280
-	-	-	-	-	-	-	-	1,792,143	899,100
272,846	225,226	-	-	24,544	22,982	22,095	20,387	1,306,204	1,161,641
1,379,972	1,509,912	124,854	73,196	9,810	-	-	21,544	6,104,747	2,401,280
28,350	15,800	27,343	33,732	620,187	86,445	677,346	113,330	4,681,127	954,078
-	-	-	-	-	-	-	-	(2,752)	12,300
2,675	-	-	-	11,607	-	(9,221)	(3,685)	(670,565)	57,755
-	-	50,000	-	-	-	-	-	307,100	-
-	-	298,170	89,118	-	-	-	-	830,201	639,367
<u>2,324,432</u>	<u>2,254,121</u>	<u>500,367</u>	<u>196,046</u>	<u>3,809,433</u>	<u>3,147,832</u>	<u>4,116,699</u>	<u>3,550,709</u>	<u>32,348,740</u>	<u>23,660,171</u>
571,284	388,691	70,868	78,692	260,454	383,225	368,882	946,903	4,688,304	4,558,304
-	-	-	-	-	-	-	-	196,594	197,277
60,817	49,747	5,717	4,704	45,672	40,053	33,996	29,525	244,127	218,095
-	-	-	-	134,185	143,494	169,591	172,978	434,774	354,673
192,694	182,388	90,821	82,458	272,228	282,975	320,804	334,421	1,206,854	1,179,377
215,323	222,694	7,098	6,952	153,759	147,930	61,165	56,100	598,324	591,017
2,243,960	2,102,991	542,003	489,339	675,300	730,308	850,460	857,667	8,645,401	8,210,348
26,599	37,279	104,373	117,926	193,251	227,830	279,554	311,828	721,846	586,257
626,258	249,730	265,235	255,207	1,247,112	1,251,732	3,742,716	969,973	7,506,188	4,210,984
<u>3,936,935</u>	<u>3,233,521</u>	<u>1,086,114</u>	<u>1,035,279</u>	<u>2,981,962</u>	<u>3,207,546</u>	<u>5,827,168</u>	<u>3,679,396</u>	<u>24,242,411</u>	<u>20,106,332</u>
<u>\$ (1,612,503)</u>	<u>\$ (979,401)</u>	<u>\$ (585,747)</u>	<u>\$ (839,233)</u>	<u>\$ 827,471</u>	<u>\$ (59,715)</u>	<u>\$ (1,710,469)</u>	<u>\$ (128,686)</u>	<u>\$ 8,106,329</u>	<u>\$ 3,553,839</u>

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

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

SCHEDULE II

	Land		Land Improvements		Buildings		Vehicle Furniture & Equipment		Transportation
	2023	2022	2023	2022	2023	2022	2023	2022	2023
COST									
Opening Balance	\$ 11,301,637	\$ 11,024,061	\$ 9,666,056	\$ 9,697,268	\$ 26,164,840	\$ 25,624,351	\$ 11,551,037	\$ 9,050,929	\$ 31,709,150
Add: Additions	1,225,141	277,576	861,354	126,409	1,260,382	641,111	377,437	2,585,773	4,603,225
Less: Disposals	-	-	-	157,621	-	100,622	672,290	85,665	138,926
Less: Write-downs	-	-	-	-	-	-	-	-	-
Closing Balance	<u>12,526,779</u>	<u>11,301,637</u>	<u>10,527,410</u>	<u>9,666,056</u>	<u>27,425,221</u>	<u>26,164,840</u>	<u>11,256,181</u>	<u>11,551,037</u>	<u>36,173,448</u>
ACCUMULATED AMORTIZATION									
Opening Balance	-	-	4,435,315	4,229,121	9,360,140	8,701,678	5,148,608	4,705,258	18,569,654
Add: Amortization	-	-	295,849	281,657	760,606	730,632	574,874	517,015	721,665
Less: Write-downs	-	-	-	-	-	-	-	-	10
Less: Disposals	-	-	-	75,463	-	72,170	490,771	73,665	119,031
Closing Balance	<u>-</u>	<u>-</u>	<u>4,731,164</u>	<u>4,435,315</u>	<u>10,120,746</u>	<u>9,360,140</u>	<u>5,232,711</u>	<u>5,148,608</u>	<u>19,172,278</u>
Net Book Value	<u>\$ 12,526,779</u>	<u>\$ 11,301,637</u>	<u>\$ 5,796,246</u>	<u>\$ 5,230,741</u>	<u>\$ 17,304,475</u>	<u>\$ 16,804,700</u>	<u>\$ 6,023,470</u>	<u>\$ 6,402,429</u>	<u>\$ 17,001,170</u>

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

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

SCHEDULE II (CONTINUED)

Linear Infrastructure										
Transportation	Sanitary Sewer		Storm		Water		Assets Under Construction		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
\$ 31,362,370	\$ 38,151,666	\$ 38,013,008	\$ 10,814,918	\$ 10,693,928	\$ 35,319,407	\$ 34,270,128	\$ 2,652,856	\$ 961,579	\$ 177,331,569	\$ 170,697,621
346,781	878,920	138,658	1,857,938	120,990	1,382,140	1,068,560	356,989	1,822,695	12,803,526	7,128,553
-	24,427	-	18,877	-	23,047	19,281	2,015,614	131,415	2,893,181	494,604
-	-	-	-	-	-	-	473,564	-	473,564	-
<u>31,709,150</u>	<u>39,006,158</u>	<u>38,151,666</u>	<u>12,653,980</u>	<u>10,814,918</u>	<u>36,678,499</u>	<u>35,319,407</u>	<u>520,664</u>	<u>2,652,856</u>	<u>186,768,342</u>	<u>177,331,569</u>
17,906,451	12,606,005	11,604,971	2,990,638	2,835,174	7,942,036	7,095,653	-	-	61,052,396	57,078,306
663,203	1,008,783	1,001,034	172,112	155,464	884,724	861,979	-	-	4,419,318	4,210,984
-	-	-	-	-	-	-	-	-	10.00	-
-	12,820	-	7,930	-	13,983	15,596	-	-	645,240	236,894
<u>18,569,654</u>	<u>13,601,968</u>	<u>12,606,005</u>	<u>3,154,820</u>	<u>2,990,638</u>	<u>8,812,777</u>	<u>7,942,036</u>	<u>-</u>	<u>-</u>	<u>64,826,464</u>	<u>61,052,396</u>
<u>\$ 13,139,496</u>	<u>\$ 25,404,190</u>	<u>\$ 25,545,661</u>	<u>\$ 9,499,160</u>	<u>\$ 7,824,280</u>	<u>\$ 27,865,722</u>	<u>\$ 27,377,371</u>	<u>\$ 520,664</u>	<u>\$ 2,652,856</u>	<u>\$ 121,941,879</u>	<u>\$ 116,279,171</u>

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