

TOWN OF LADYSMITH
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016
AUDITED



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DECEMBER 31, 2016

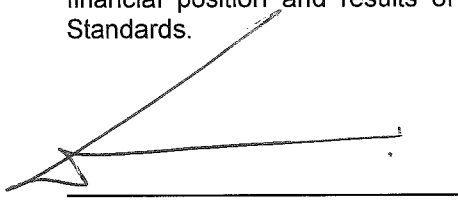
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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.



Guillermo Ferrero
Chief Administration Officer

Independent Auditors' Report

To the Mayor and Council of the Town of Ladysmith:

We have audited the accompanying consolidated financial statements of the Town of Ladysmith, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations, cash flows and changes in net financial assets and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Ladysmith as at December 31, 2016 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Nanaimo, British Columbia

April 3, 2017

MNP LLP
Chartered Professional Accountants

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015
Financial Assets		
Cash and short term deposits (Note 3)	\$ 19,171,188	\$ 13,653,298
Accounts receivable (Note 4)	2,993,892	2,934,237
	22,165,080	16,587,535
Liabilities		
Accounts payable and accrued liabilities (Note 5)	2,478,417	2,030,493
Post-employment benefits (Note 6)	250,300	268,000
Deferred revenue (Note 7)	486,057	368,849
Refundable deposits and other (Note 8)	455,147	391,720
Restricted reserves - other (Note 9)	425,310	490,270
Development cost charge reserve (Note 9)	1,971,403	1,769,872
Federal gas tax reserve (Note 11)	1,310,274	1,060,650
Obligations under capital lease (Note 12 & Schedule I)	384,390	445,707
Equipment Financing (Note 13)	34,179	42,952
Short term financing (Note 14 & Schedule II)	670,000	4,920,000
Debenture debt (Note 15 & Schedule III)	12,855,236	2,976,232
	21,320,713	14,764,745
Net Financial Assets	844,367	1,822,790
Non-Financial Assets		
Tangible Capital Assets (Schedule X)	92,215,270	89,175,441
Prepays	112,348	107,343
Inventory	71,759	74,792
	92,399,377	89,357,576
Accumulated Surplus (Note 20)	\$ 93,243,744	\$ 91,180,366

Commitments and Contingencies (Note 16)



 Director of Financial Services

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>Budget 2016</u> (Note 21)	<u>2015</u>
Revenue			
Taxes - (Schedule IV)	\$ 9,648,476	\$ 9,626,136	\$ 9,164,130
Fees and charges (Schedule V)	3,827,034	3,487,239	3,399,055
Investment Income	157,817	105,000	132,452
Penalty and interest on tax	119,526	120,000	123,546
Grants (Schedule VIII)	1,724,706	12,318,540	2,535,095
Donations and contributed tangible capital assets	319,015	18,500	241,914
Gain on foreign exchange	(83,675)	-	131,994
Gain (loss) on disposal of tangible capital assets	184,840	-	164,961
Municipal Finance Authority refunds	-	-	47,299
Development fees	-	168,000	108,075
Gas tax funds utilized	145,233	575,500	299,363
	<u>16,042,972</u>	<u>26,418,915</u>	<u>16,347,884</u>
Expenses			
General government services	2,305,352	2,617,150	2,270,072
Protective services	1,739,803	1,976,262	1,777,708
Transportation services	2,003,708	2,138,548	1,971,138
Garbage services	474,893	508,020	485,293
Cemetery services	37,374	30,072	21,492
Development services	612,929	883,358	640,242
Recreation and cultural services	2,581,754	2,611,902	2,387,738
Parks operation services	910,233	931,766	894,327
Sewer	2,072,169	1,832,069	1,274,354
Water	1,241,378	1,348,391	1,372,626
	<u>13,979,594</u>	<u>14,877,538</u>	<u>13,094,990</u>
Annual Surplus	2,063,378	11,541,377	3,252,894
Accumulated Surplus, beginning of year	<u>91,180,366</u>	<u>91,180,366</u>	<u>87,927,472</u>
Accumulated Surplus - end of year	<u>\$ 93,243,744</u>	<u>\$ 102,721,743</u>	<u>\$ 91,180,366</u>

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
Operating Transactions		
Annual Surplus	\$ 2,063,378	\$ 3,252,894
Less non-cash items included in surplus:		
Amortization	2,875,406	2,512,157
Loss (gain) on disposal of tangible capital assets	(184,840)	(164,961)
Actuarial adjustments on debenture debt	(30,951)	(88,962)
Contributed tangible capital assets	<u>(300,085)</u>	<u>(127,251)</u>
	4,422,909	5,383,877
Accounts receivable	(59,655)	1,241,549
Prepaid expenses	(5,005)	(6,050)
Inventory	3,033	32
Accounts payable and accrued liabilities	447,924	296,420
Post employment benefits	(17,700)	(8,300)
Deferred revenues	117,208	57,792
Refundable deposits and other	63,427	58,190
Restricted reserves	(64,960)	10,120
Development cost charge reserve	201,531	292,701
Gas tax reserve	<u>249,624</u>	<u>83,951</u>
Cash provided by operating transactions	<u>5,358,336</u>	<u>7,410,282</u>
Capital Transactions		
Proceeds on sale of tangible capital assets	411,763	166,975
Cash used to acquire tangible capital assets	<u>(5,842,073)</u>	<u>(11,398,779)</u>
	<u>(5,430,310)</u>	<u>(11,231,804)</u>
Financing		
Proceeds of short-term financing	-	4,920,000
Proceeds of long-term financing	6,000,000	-
Repayment of long-term debt and capital leases	<u>(410,135)</u>	<u>(236,071)</u>
Net (Decrease) Increase in cash from financing	<u>5,589,865</u>	<u>4,683,929</u>
Increase in Cash and Short Term Deposits	5,517,891	862,407
Cash and Short Term Deposits - Beginning of Year	13,653,298	12,790,890
Cash and Short Term Deposits - End of Year	<u>\$ 19,171,188</u>	<u>\$ 13,653,298</u>

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>Budget 2016</u> (Note 21)	<u>2015</u>
Annual Surplus	\$ 2,063,378	\$ 11,541,377	\$ 3,252,894
Acquisition of tangible capital assets	(6,142,158)	(23,622,305)	(11,526,030)
Amortization of tangible capital assets	2,875,406	2,485,372	2,512,157
Loss (gain) on sale of tangible capital assets	(184,840)	-	(164,961)
Proceeds from sale of tangible capital assets	411,763	-	166,975
Decrease (Increase) in inventories	3,033	-	32
Decrease (Increase) in prepaids	<u>(5,005)</u>	<u>-</u>	<u>(6,050)</u>
Change in Net Financial Assets	<u>(978,423)</u>	<u>(9,595,556)</u>	<u>(5,764,982)</u>
Net Financial Assets, beginning of year	<u>1,822,790</u>		<u>7,587,771</u>
Net Financial Assets, end of year	<u>\$ 844,367</u>		<u>\$ 1,822,790</u>

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. General

The Town of Ladysmith was incorporated 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.

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.

2. Significant Accounting Policies

(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:

<i>General Revenue Fund</i>	<i>General Capital Fund</i>
<i>Water Revenue Fund</i>	<i>Water Capital Fund</i>
<i>Sewer Revenue Fund</i>	<i>Sewer Capital Fund</i>
<i>Reserve Fund</i>	

(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 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.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, with a half-year's provision in the year of acquisition, 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.

(d) Cash and Short-Term Deposits

Cash and short-term deposits includes instruments with maturities of three months or less from the date of acquisition. Balances are reported in Canadian funds. US accounts are translated using the exchange rates of the prescribed bank as December 31.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. Significant Accounting Policies (continued)

(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 2 (h). These revenues are comprised of the amounts shown in Note 9.

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.

(g) Leases

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

Rental payments under operating leases are expensed as incurred.

The Town currently rents property at 132c and 33 Roberts Street for office space as well as 17 and 25 Roberts Street for a parking lot. Total lease payments expensed for the year were \$ 76,151 (2015 - \$75,837). The operating leases are annual agreements, and the Town does not expect significant variation from the annual amounts in future years.

(h) 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 on foreign exchange has been recognized in the Statement of Operations using the exchange rate in effect on December 31.

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.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. Significant Accounting Policies (continued)

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.

(i) 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.

(j) Inventory

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

(k) 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, 2016.

The Town has determined that no owned properties meet the criteria to recognize a liability for contaminated sites.

At each financial reporting date, the Town of Ladysmith reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. If applicable, the Town of Ladysmith will 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.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. Significant Accounting Policies (continued)

(I) Recent Accounting Pronouncements

PS 2200 Related Party Disclosures

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

This section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted.

The Town does not expect application of the new Standard to have a material effect on the consolidated financial statements.

PS 3210 Assets

In June 2015, new PS 3210 Assets was included in the CPA Canada Public Sector Accounting Handbook. The new Section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.

The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.

An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. Significant Accounting Policies (continued)

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

The Town does not expect application of the new Standard to have a material effect on the consolidated financial statements.

PS 3320 Contingent Assets

In June 2015, new PS 3320 Contingent Assets was included in the CPA Canada Public Sector Accounting Handbook. The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date.

Elected or public sector entity officials announcing public sector entity intentions after the financial statement date cannot create an existing condition or situation at the financial statement date.

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted. The Town does not expect application of the new Standard to have a material effect on the consolidated financial statements.

PS 3380 Contractual Rights

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook. This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

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

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

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. Significant Accounting Policies (continued)

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

Disclosures should include descriptions about nature, extent, and timing.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

The Town does not expect application of the new Standard to have a material effect on the consolidated financial statements.

PS 3430 Restructuring Transactions

In June 2015, new PS 3430 Restructuring Transactions was included in the CPA Canada Public Sector Accounting Handbook. The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction.

A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.

Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense.

Restructuring-related costs are recognized as expenses when incurred.

Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date.

The financial position and results of operations prior to the restructuring date are not restated. Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

The Section is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018. Earlier application is encouraged.

The Town does not expect application of the new Standard to have a material effect on the consolidated financial statements.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. Cash and Short Term Deposits

Cash and short term deposits were comprised as follows:

	<u>2016</u>	<u>2015</u>
Cash	\$ 18,398,477	\$ 12,886,680
Short term deposits	<u>772,710</u>	<u>766,618</u>
	<u>\$ 19,171,188</u>	<u>\$ 13,653,298</u>

Included in Cash is a deposit of \$815,610 (the equivalent of \$618,150 US Funds based on the exchange rate at the Ladysmith and District Credit Union on December 31, 2016). 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 can only be expended in accordance with the terms of the restricted reserves.

	<u>2016</u>	<u>2015</u>
Restricted reserves - other	\$ 425,310	\$ 490,270
Federal gas tax reserve	1,310,274	1,060,650
Development cost charges reserve	<u>1,971,403</u>	<u>1,769,872</u>
Total restricted cash	<u>\$ 3,706,987</u>	<u>\$ 3,320,792</u>

4. Accounts Receivable

	<u>2016</u>	<u>2015</u>
Property taxes	\$ 1,117,867	\$ 1,243,983
Other government	1,114,734	1,031,001
User fees and other	728,443	631,823
Developer receivables	16,253	16,253
Employee receivables	<u>16,594</u>	<u>11,177</u>
	<u>\$ 2,993,892</u>	<u>\$ 2,934,237</u>

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

5. Accounts Payable and Accrued Liabilities

	<u>2016</u>	<u>2015</u>
General	\$ 1,306,404	\$ 1,007,433
Other governments	617	1,151
Salaries and wages	215,873	194,764
Contractor holdbacks	870,988	786,222
Accrued interest	84,535	40,923
	<u>\$ 2,478,417</u>	<u>\$ 2,030,493</u>

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, 2014 and has been extrapolated to December 31, 2016. The change in the liability in the financial statements in respect of obligations under the plan amounts to -\$17,700. (-\$8,300 - 2015).

The accrued post-employment benefits are as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 268,000	\$ 276,300
Current service costs	30,700	30,400
Benefits paid	(54,400)	(32,700)
Actuarial (gain)/loss	6,000	(6,000)
Balance, end of year	<u>\$ 250,300</u>	<u>\$ 268,000</u>

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

	<u>2016</u>	<u>2015</u>
Discount Rate	3.30%	3.10%
Expected Inflation Rate and Wage & Salary Increases	2.50%	2.50%

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

7. Deferred Revenue

	<u>2016</u>	<u>2015</u>
Licence fees & charges	\$ 3,116	\$ 6,133
Rental payments	14,466	589
Prepaid property tax	330,524	243,115
Subdivision tree prepayment	53,854	45,604
Recreation prepayment	39,491	32,399
Utilities	15,544	26,249
Other	29,061	14,759
	<u>\$ 486,057</u>	<u>\$ 368,849</u>

8. Refundable Deposits and Other

	<u>2016</u>	<u>2015</u>
Developer performance deposits	\$ 263,997	\$ 212,120
Damage deposits	190,950	179,400
Other	200	200
	<u>\$ 455,147</u>	<u>\$ 391,720</u>

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

9. Restricted Reserves and Development Cost Charges Reserve

Restricted reserves include Development Cost Charges (DCC's) which are charged to developers and utilized for infrastructure development. 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. A withdrawal of \$75,000 from the LRCA restricted reserve was made in March of 2016.

Description	Balance Dec. 31, 2015	Interest	Contributions	Expenditures	Balance Dec. 31, 2016
DCC - Water	\$ 402,656	\$ 3,121	\$ 26,707	\$ -	\$ 432,484
DCC - Parks	318,504	2,534	33,053	-	354,092
DCC - Roads	424,013	3,444	60,003	-	487,460
DCC - Sewer	273,925	2,327	63,230	-	339,483
DCC - Storm	350,774	2,666	4,444	-	357,885
	<u>1,769,872</u>	<u>14,093</u>	<u>187,438</u>	<u>-</u>	<u>1,971,403</u>
Parking	72,998	549	-	-	73,548
Green Streets	1,441	11	-	-	1,452
Amphitheatre	16,071	128	1,300	-	17,499
LRCA/Seniors- Capital	371,960	278	2,480	(75,000)	299,718
B&G - Capital	27,801	230	5,064	-	33,094
	<u>490,270</u>	<u>1,195</u>	<u>8,844</u>	<u>(75,000)</u>	<u>425,310</u>
TOTAL	<u><u>\$ 2,260,142</u></u>	<u><u>\$ 15,288</u></u>	<u><u>\$ 196,281</u></u>	<u><u>\$ (75,000)</u></u>	<u><u>\$ 2,396,713</u></u>

10. 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, as described in Note 3. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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. The funds are recorded on the financial statements as a restricted reserve.

	2016	2015
Opening balance of unspent funds	\$ 1,060,650	\$ 976,699
Add: Amounts received during the year	386,644	374,048
Interest earned	8,213	9,265
Less: Gas tax funds utilized	(145,233)	(299,363)
	\$ 1,310,274	\$ 1,060,650

12. Obligations under Capital Lease

There are five leases payable to the Municipal Finance Authority. The future minimum lease payments, including PST, under the capital lease obligation are as follows:

2017	48,872
2018	332,139
2019	3,379
2020	-
2021	-
Thereafter	-

Debt interest, less actuarial adjustments in the consolidated statement of financial activities, is calculated as \$6,646 (\$8,673 - 2015).

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

12. Obligations under Capital Lease (continued)

The Town has entered into capital leases for the following purchases:

- 1) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on April 2012 for the purchase of a 4X4 fire truck. The remaining obligation will be repaid with monthly lease payments in the amount of \$1,381 including interest at 1.70% per annum. The balance of the capital lease at December 31, 2016, which is included in obligation under capital leases, is \$7,305. Lease to expire May 2017. (\$24,752 - 2015)
- 2) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on June 2012 for the purchase of a photocopier. The remaining obligation will be repaid with monthly lease payments in the amount of \$111 including interest at 1.70% per annum. The balance of the capital lease at December 31, 2016, which is included in obligation under capital leases, is \$810. Lease to expire July 2017. (\$2,212 - 2015)
- 3) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on March 28, 2013 for the purchase of a fire truck. The remaining obligation will be repaid with monthly lease payments in the amount of \$2,718 including interest at 1.70% per annum. The balance of the capital lease at December 31, 2016, which is included in obligation under capital leases, is \$349,561. Lease to expire March 2018. (\$378,241- 2015)
- 4) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on February 2, 2014 for the purchase of a photocopier. The remaining obligation will be repaid with monthly lease payments in the amount of \$147 including interest at 1.70% per annum. The balance of the capital lease at December 31, 2016, which is included in obligation under capital leases, is \$3,980. Lease to expire February 2019. (\$5,781 - 2015)
- 5) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on April 25, 2014 for the purchase of fitness equipment. The remaining obligation will be repaid with monthly lease payments in the amount of \$782 including interest at 1.70% per annum. The balance of the capital lease at December 31, 2016, which is included in obligation under capital leases, is \$22,735. Lease to expire April 2019. (\$32,305 - 2015)

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

13. Equipment Financing

A new five year equipment financing agreement with the Municipal Finance Authority of British Columbia commenced on September 28, 2015 for the financing of a fire truck. The remaining obligation will be repaid with monthly payments in the amount of \$776 including interest at 1.24% per annum. The balance of the loan at December 31, 2016 is \$34,179 (\$42,952 – 2015). Loan to expire September 30, 2020.

The future minimum principal payments are:

2017	8,883
2018	9,011
2019	9,141
2020	7,144
2021	-
Thereafter	-

14. Short-Term Debt

The Town executed short term borrowing of \$920,000 to purchase the properties at 12, 20, and 26 Buller Street and 721 First Avenue. The balance at December 31, 2016 was \$670,000 (\$4,920,000 – 2015).

Principal Payments payable over the next five years:

	2017	2018	2019	2020	2021
Buller Street Properties	-	-	-	\$ 670,000	-

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

15. Debenture Debt

The Town borrowed \$10 million dollars to fund the upgrade of the Waste Water Treatment Plant. The total long term debt issued and outstanding as at December 31, 2016 was \$12,855,236 (\$2,976,232 as at December 31, 2015).

The following principal amounts are payable over the next five years.

Principal repayments

	2017	2018	2019	2020	2021	Thereafter
General	\$ 66,033	\$ 66,033	\$ 66,033	\$ 66,033	\$ 66,033	\$ 660,329
Water	24,012	24,012	24,012	24,012	24,012	384,191
Sewer	500,000	500,000	500,000	500,000	500,000	7,500,000
	<u>\$ 590,045</u>	<u>\$ 590,045</u>	<u>\$ 590,045</u>	<u>\$ 590,045</u>	<u>\$ 590,045</u>	<u>\$ 8,544,520</u>

Actuarial sinking fund earnings

	2017	2018	2019	2020	2021	Thereafter
General	\$ 31,712	\$ 35,622	\$ 39,688	\$ 43,917	\$ 48,315	\$ 767,455
Water	4,079	5,202	6,371	7,586	8,850	361,695
Sewer	-	-	-	-	-	-
	<u>\$ 35,791</u>	<u>\$ 40,824</u>	<u>\$ 46,059</u>	<u>\$ 51,503</u>	<u>\$ 57,165</u>	<u>\$ 1,129,150</u>
	<u>\$625,835</u>	<u>\$630,869</u>	<u>\$636,104</u>	<u>\$641,548</u>	<u>\$647,210</u>	<u>\$9,673,671</u>

Debt interest, less actuarial adjustments in the consolidated statement of financial activities, is determined as follows:

	Interest	Actuarial Adjustment	2016 Net	2015 Net
General - Interest	\$ 72,212	\$ 27,953	\$ 44,259	\$ 136,286
Water - Interest	34,063	2,998	31,064	32,041
Sewer - Interest	67,222	-	67,222	(3,101)
	<u>\$ 173,497</u>	<u>\$ 30,951</u>	<u>\$ 142,546</u>	<u>\$ 165,226</u>

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) Various claims have been made against the Town as at December 31, 2016 for incidents which arose in the ordinary course of operations. In the opinion of management and legal counsel, the

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

16. Commitments and Contingencies (Continued)

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 employer and its employees contribute to the Municipal Pension Plan (a jointly trusted 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, 2015, the Plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as of December 31, 2015, indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis.

The Town of Ladysmith paid \$429,034 (2015 - \$430,067) for employer contributions to the Plan in fiscal 2016.

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

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.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

17. Significant Taxpayers

The Town is reliant upon 10 taxpayers for approximately 20.46% (20.72% - 2015) of the total property tax revenue which includes Western Forest Products at approximately 12.75% (12.64% - 2015) of the total property tax revenue.

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>2016</u>	<u>2015</u>
Assets		
Cash and short term investment	<u>\$ 152,957</u>	<u>\$ 147,252</u>
Equity		
Opening balance	\$ 147,252	\$ 143,932
Interest	1,896	1,474
Transfer interest to fund cemetery costs	(1,896)	(1,474)
Contributions	<u>5,705</u>	<u>3,320</u>
Balance, end of year	<u>\$ 152,957</u>	<u>\$ 147,252</u>

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, 2016

20. Accumulated Surplus

The Town segregates its accumulated surplus in the following categories:

	2016	2015
Unappropriated equity	\$ 4,309,353	\$ 3,733,297
Appropriated equity (Schedule VI)	9,301,011	5,612,326
	13,610,363	9,345,623
 Capital Funds		
General capital fund	139,299	127,404
Sewer capital fund	17,119	17,419
Water capital fund	612,520	612,520
	768,938	757,344
 Reserve Funds		
Reserve funds (Schedule VI)	592,975	286,847
Equity in Tangible Capital Assets	78,271,467	80,790,552
Total Accumulated Surplus	\$ 93,243,744	\$ 91,180,366

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

21. Annual Budget

Fiscal plan amounts represent the Financial Plan Bylaw adopted by Council on May 2, 2016.

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	(2,485,372)
Proceeds from new debt	(7,635,000)
Transfers to/from own funds	(2,758,050)
Less:	
Principal payments on debt	793,650
Capital expenditures per budget	24,459,910
Transfers to/from own funds per PSAB	3,844
Capital Expenditures expensed according to Tangible Capital Asset Policy	<u>(837,605)</u>
Adjusted Annual Surplus	<u><u>\$ 11,541,377</u></u>

22. 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.

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

23. 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:

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 and Human Resources.

Protective Services

Protection is comprised of fire protection, policing, bylaw enforcement and building inspection.

- Bylaw enforcement administers, monitors, and seeks compliance with the bylaws enacted by the Mayor and Council to regulate the conduct of affairs in the Town of Ladysmith.
- Fire protection is provided by the fire department, whose volunteer members receive compensation for each callout in which they take part.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

23. Segmented Information (Continued)

- Policing is provided under contract with the RCMP operating from a detachment building located in and owned by the Town of Ladysmith.
- 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.

Transportation, Garbage and Cemetery

The Transportation (Public Works) Department is responsible for the infrastructure of the Town:

- Ensuring clean and safe water to the Town, supplied through underground pipes and reservoirs,
- Maintaining a separate system of underground pipes to collect sewer or waste water for proper treatment prior to discharging it,
- Providing and maintaining the Town's roads, sidewalks, street lights, signage and line markings, storm drainage and hydrants,
- Providing other key services including street cleaning and the operation of a local bus service.

Garbage Services (Public Works) is responsible for the garbage collection and compost and recycling programs operating in the Town of Ladysmith. Garbage and recycling 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.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

23. Segmented Information (Continued)

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.

Water

Water includes all of the operating activities related to the treatment and distribution of water throughout the Town.

Sewer

Sewer includes all of the operating activities related to the collection and treatment of waste water (sewage) throughout the Town.

24. Subsequent Events

An offer of \$840,000 to purchase a piece of property located at 4142 Thicke Road was approved, subject to conditions. The sale is expected to close March of 2017.

An offer to \$450,000 to sell properties located at 1201 and 1251 Christie Road was accepted. The sale is expected to close March of 2017.

TOWN OF LADYSMITH
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE I

	<u>Term</u>	<u>Original Amount</u>	<u>Balance Dec 31, 2015</u>	<u>Principal Payments</u>	<u>Net Interest⁽¹⁾</u>	<u>Balance Dec 31, 2016</u>	<u>Interest Rate</u>
City Hall Copier	2011-16	19,780	2,416	2,416	13	\$ -	1.70%
Fire Bush Truck	2012-17	83,652	24,752	17,447	267	\$ 7,305	1.70%
Spartan Fire Truck	2013-18	452,066	378,241	28,680	5,817	\$ 349,561	1.70%
P.W. Copier	2012-17	6,748	2,212	1,402	25	\$ 810	1.70%
Ricoh Copier - FJCC	2014-19	8,967	5,781	1,802	79	\$ 3,980	1.70%
Fitness Equip - FJCC	2014-19	47,765	32,305	9,570	445	\$ 22,735	1.70%
		<u>\$ 618,978</u>	<u>\$ 445,707</u>	<u>\$ 61,317</u>	<u>\$ 6,646</u>	<u>\$ 384,390</u>	

(1) Interest, net of actuarial adjustments

TOWN OF LADYSMITH
SCHEDULE OF SHORT TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE II

	<u>Term</u>	<u>Original Amount</u>	<u>Balance Dec 31, 2015</u>	<u>Principal Payments</u>	<u>Net Interest ⁽¹⁾</u>	<u>Balance Dec 31, 2016</u>	<u>Interest Rate</u>
<u>General Capital Fund</u>							
2015 Buller Street Properties	5 years	\$ 920,000	\$ 920,000	\$ 250,000	\$ 11,157	\$ 670,000	1.38%
<u>Sewer Capital Fund</u>							
2015 Waste Water Treatment Plant	5 years	4,000,000	4,000,000	-	76,093	-	1.38%
		<u>\$ 4,920,000</u>	<u>\$ 4,920,000</u>	<u>\$ 250,000</u>	<u>\$ 87,250</u>	<u>\$ 670,000</u>	

2015 Waste Water Treatment Plant short term debt was converted into 2016 Sewer Treatment Plant long term debt

⁽¹⁾ Interest, net of actuarial adjustments

TOWN OF LADYSMITH
SCHEDULE OF DEBENTURE DEBT
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE III

	Issue #	Term	Original Amount	Balance Dec 31, 2015	Principal Payments	Net Interest ⁽¹⁾	Balance Dec 31, 2016	Interest Rate
<u>General Capital Fund</u>								
2006 RCMP Building	97	2006-31	2,750,000	2,051,187	93,985	44,259	1,957,202	4.66%
<u>Water Capital Fund</u>								
2012 Water Improvements	118	2012-37	1,000,000	925,044	27,010	31,064	898,034	3.40%
<u>Sewer Capital Fund</u>								
2016 Sewer Treatment Plant	138	2016-36	10,000,000	-	-	67,222	10,000,000	6.45%
			\$ 13,750,000	\$ 2,976,232	\$ 120,996	\$ 142,546	\$ 12,855,236	

⁽¹⁾ Interest, net of actuarial adjustments

TOWN OF LADYSMITH
SCHEDULE OF TAX REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE IV

	<u>Actuals</u> <u>2016</u>	<u>Budget</u> <u>2016</u>	<u>Actuals</u> <u>2015</u>
General Taxes			
General municipal purposes	\$ 7,683,410	\$ 7,685,704	\$ 7,456,243
Grants in lieu and 1% utility tax	163,974	162,379	165,762
Water and sewer parcel tax	1,801,092	1,778,053	1,542,125
	<u>\$ 9,648,476</u>	<u>\$ 9,626,136</u>	<u>\$ 9,164,130</u>
Collections for other governments:			
School district	\$ 2,959,379	\$ 2,956,248	\$ 2,993,017
Regional hospital district	770,827	770,262	694,246
Regional district	1,140,438	1,139,645	1,139,643
BCAA and MFA	79,070	78,975	82,205
Library	353,236	353,236	340,973
	<u>\$ 5,302,950</u>	<u>\$ 5,298,366</u>	<u>\$ 5,250,083</u>
Less:			
Transmission of taxes levied for other agencies:			
School district	\$ 2,959,379	\$ 2,956,248	\$ 2,993,017
	770,827	770,262	694,246
Regional district	1,140,438	1,139,645	1,139,643
BCAA and MFA	79,070	78,975	82,205
Library	353,236	353,236	340,973
	<u>\$ 5,302,950</u>	<u>\$ 5,298,366</u>	<u>\$ 5,250,083</u>
Net Taxation	<u>\$ 9,648,476</u>	<u>\$ 9,626,136</u>	<u>\$ 9,164,130</u>

TOWN OF LADYSMITH
SCHEDULE OF FEES & CHARGES
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE V

	Actuals 2016	Budget 2016	Actuals 2015
			Restated
Fines	\$ 6,978	\$ 4,000	\$ 4,650
Garbage services Fees	642,550	613,440	638,647
General government services	117,883	25,115	57,059
Cemetery services	39,860	30,050	33,095
Recreation services	660,735	623,648	637,262
Permits, Licences and Fees	430,549	287,734	265,937
Facility Rentals & Leases	227,908	235,412	259,165
Water Utility Fees	848,533	820,915	712,568
Sewer Utility Fees	852,038	846,925	790,672
	<u>\$ 3,827,034</u>	<u>\$ 3,487,239</u>	<u>\$ 3,399,055</u>

TOWN OF LADYSMITH
CONTINUITY SCHEDULE OF RESERVES & APPROPRIATED EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE VI

(Unaudited)

	Balance Dec. 31, 2015	Interest Allocated	Contributions	Funding	Balance Dec. 31, 2016
RESERVES					
Tax Sale	\$ 25,694	\$ 335	\$ -	\$ -	\$ 26,029
Perpetual Safety Fund	12,786	167	-	-	12,952
Sale Real Property	-	306	257,158	12,793	244,671
Municipal Office Building	175,000	-	60,000	-	235,000
Amenity Funds	73,367	956	-	-	74,323
TOTAL RESERVES	\$ 286,847	\$ 1,762	\$ 317,158	\$ 12,793	\$ 592,975
APPROPRIATED EQUITY - OPERATIONS					
General Operating Fund					
Future Projects	1,555,849	-	548,051	91,299	2,012,601
Equipment	963,354	-	449,571	139,594	1,273,331
Land & Building	214,395	-	102,775	106,601	210,569
Tax Contingency	7,986	-	-	-	7,986
Snow & Ice Removal	30,000	-	-	-	30,000
Infrastructure Deficit	318,179	-	198,125	75,000	441,304
Multi-Materials BC Rebate	146,713	-	76,000	-	222,713
	3,236,476	-	1,374,522	412,494	4,198,504
Water Operating Fund					
Capital Expenditures	803,908	-	525,074	43,187	1,285,795
MFA Surplus Refunds	524,075	-	-	-	524,075
Total Water Operating Fund	1,327,984	-	525,074	43,187	1,809,870
Sewer Operating Fund					
Capital Expenditures	435,922	-	3,516,383	1,271,613	2,680,693
MFA Surplus Refunds	611,944	-	-	-	611,944
Total Sewer Operating Fund	1,047,866	-	3,516,383	1,271,613	3,292,637
TOTAL APPROPRIATED EQUITY	\$ 5,612,326	\$ -	\$ 5,415,979	\$ 1,727,294	\$ 9,301,011
TOTAL RESERVES AND APPROPRIATED EQUITY	\$ 5,899,173	\$ 1,762	\$ 5,733,137	\$ 1,740,087	\$ 9,893,986

TOWN OF LADYSMITH
SCHEDULE OF RESTRICTED RESERVES, RESERVES & EQUITY BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE VII

(Unaudited)

	Restricted Reserves	Allocated Reserves	Appropriated Equity	Unappropriated Equity	Capital Funds Equity	Total
General operating fund	\$ -	\$ -	\$ 4,198,504	\$ 889,816	\$ -	\$ 5,088,320
Water operating fund	-	-	1,809,870	779,419	-	2,589,290
Sewer operating fund	-	-	3,292,637	2,640,117	-	5,932,754
Reserve fund	425,310	592,975	-	-	-	1,018,285
General capital fund	-	-	-	-	139,299	139,299
Water capital fund	-	-	-	-	612,520	612,520
Sewer capital fund	-	-	-	-	17,119	17,119
Total	\$ 425,310	592,975	\$ 9,301,011	\$ 4,309,353	\$ 768,938	\$ 15,397,586

TOWN OF LADYSMITH
SCHEDULE OF GRANT REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE VIII

	<u>Actuals 2016</u>	<u>Budget 2016</u>	<u>Actuals 2015</u>
Operating Grants			
Traffic Fines Revenue	\$ 48,422	\$ 49,000	\$ 54,572
Small Communities	454,775	438,000	472,265
CVRD Recreation	126,525	126,516	126,890
Other	39,688	7,300	31,728
	<u>669,410</u>	<u>620,816</u>	<u>685,455</u>
Capital Grants			
1st Avenue/Roundabout Sidewalk	\$ 10,000	\$ 5,000	\$ -
2nd Avenue/High St Crosswalk	-	10,000	-
Aggie Playground Improvements	5,079	-	-
Asset Management	-	80,000	-
Composting Facility	21,950	570,224	-
Energy and Facility Assessment	10,000	10,000	-
ICBC Sign Incentive	-	-	14,830
Stz`uminus First Nation Cooperation Protocol/C2C	2,267	9,000	3,849
Traffic Safety Audit	-	7,500	-
Transfer Beach Parking Lot Railing	-	-	6,000
Upper Transfer Beach Improvements	6,000	6,000	-
Wastewater Treatment Plant Upgrade	1,000,000	1,000,000	1,824,661
Water Filtration	-	10,000,000	-
	<u>1,055,296</u>	<u>11,697,724</u>	<u>1,849,340</u>
	<u>\$ 1,724,706</u>	<u>\$ 12,318,540</u>	<u>\$ 2,534,795</u>

TOWN OF LADYSMITH
STATEMENT OF OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE IX

	General Government		Protective Services		Transportation, Garbage & Cemetery Services		Development Services	
	2016	2015	2016	2015	2016	2015	2016	2015
REVENUE								
Tax	\$ 7,847,384	\$ 7,622,005	-	-	-	-	-	-
Fees & Charges	26,993	43,014	343,204	400,413	815,384	635,876	208,963	102,522
Investment income & MFA Refunds	157,817	176,832	-	-	-	-	-	-
Penalty & Interest on tax	119,526	123,546	-	-	-	-	-	-
Grants	457,042	477,748	48,422	54,572	19,092	23,194	5,964	8,436
Donations & contributed property	-	-	-	-	226,560	48,790	-	-
Gain (loss) on foreign exchange	(83,675)	131,994	-	-	-	-	-	-
Gain (loss) on disposal	193,716	153,676	-	-	(1,807)	(20,861)	-	-
Development fees	-	-	-	-	-	108,075	-	-
Gas tax fund utilized	-	-	-	-	40,000	132,702	10,850	-
Total revenue	8,718,804	8,728,816	391,626	454,985	1,099,229	927,776	225,777	110,958
EXPENSES								
Contracted Services	327,015	412,266	1,029,755	1,034,050	552,201	633,798	109,736	123,103
Grants In Aid	107,348	100,250	12,000	11,000	-	-	-	-
Insurance	69,336	57,060	22,927	24,803	5,218	3,304	-	1,360
Interest	11,170	5,397	50,884	111,766	25	32,524	-	-
Materials & Supplies	77,056	36,567	106,041	79,660	134,583	141,790	14,440	6,992
Utilities & Telephone	14,044	18,203	43,436	46,045	142,501	136,773	7,420	8,333
Wages & Benefits	1,587,926	1,537,277	271,517	267,818	871,257	701,923	461,172	481,962
Other	(108,593)	(103,477)	40,541	38,541	(28,804)	(16,192)	16,772	18,493
Amortization	220,050	206,529	162,702	164,024	838,995	844,004	3,389	-
Total expenses	2,305,352	2,270,072	1,739,803	1,777,707	2,515,975	2,477,923	612,929	640,243
Surplus (Deficit)	\$ 6,413,451	\$ 6,458,744	\$ (1,348,178)	\$ (1,322,722)	\$ (1,416,746)	\$ (1,550,147)	\$ (387,152)	\$ (529,285)

TOWN OF LADYSMITH
STATEMENT OF OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE IX -CONTINUED

Recreation & Culture Services		Parks Operations Services		Sewer Operations Services		Water Operations Services		Total Actual	Total Actual
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
-	-	-	-	\$ 965,172	\$ 964,365	\$ 835,920	\$ 577,760	9,648,476	\$ 9,164,130
729,594	712,615	-	-	853,213	791,347	849,683	713,268	3,827,034	3,399,055
-	-	-	-	-	2,920	-	-	157,817	179,751
-	-	-	-	-	-	-	-	119,526	123,546
168,422	141,484	3,813	5,000	1,021,950	1,824,661	-	-	1,724,706	2,535,095
33,325	73,711	18,930	110,963	23,700	-	16,500	8,450	319,015	241,914
-	-	-	-	-	-	-	-	(83,675)	131,994
1,070	-	(120)	-	(8,019)	16,585	-	15,560	184,840	164,961
-	-	-	-	-	-	-	-	-	108,075
51,000	10,777	43,384	155,885	-	-	-	-	145,233	299,363
983,411	938,587	66,007	271,847	2,856,016	3,599,878	1,702,103	1,315,038	16,042,972	16,347,884
278,478	146,226	66,416	41,747	76,620	106,434	110,420	335,078	2,550,642	2,832,702
-	-	-	-	-	-	-	-	119,348	111,250
33,268	35,037	3,978	5,478	15,370	12,329	11,193	3,861	161,290	143,232
524	743	-	-	143,315	19,462	31,064	32,041	236,983	201,933
100,387	131,336	85,470	100,537	275,837	109,228	106,604	86,797	900,420	692,907
171,729	138,627	5,270	5,014	87,936	60,850	9,538	11,628	481,873	425,473
1,759,230	1,626,835	390,167	384,944	503,623	358,628	414,556	394,910	6,259,448	5,754,297
21,924	81,302	94,990	99,159	180,643	163,158	176,712	140,056	394,184	421,040
216,214	227,632	263,942	257,448	788,825	444,265	381,289	368,255	2,875,406	2,512,157
2,581,754	2,387,738	910,233	894,327	2,072,169	1,274,354	1,241,378	1,372,626	13,979,594	13,094,990
\$ (1,598,343)	\$ (1,449,151)	\$ (844,227)	\$ (622,479)	\$ 783,847	\$ 2,325,524	\$ 460,726	-\$ 57,588	\$ 2,063,378	\$ 3,252,894

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE X

	<u>Land</u>		<u>Land Improvements</u>		<u>Buildings</u>		<u>Vehicle Furniture & Equipment</u>		<u>Transp</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
COST									
Opening Balance	\$ 9,282,183	\$ 8,566,085	\$ 8,118,648	\$ 7,960,932	\$ 20,142,186	\$ 19,684,792	\$ 6,094,594	\$ 5,705,958	\$ 26,171,570
Add: Additions	279,251	716,098	443,853	172,298	135,052	457,394	1,350,790	599,622	462,958
Less: Disposals	80,412	-	263	14,582	135,274	-	205,288	210,986	-
Less: Write-downs	-	-	-	-	-	-	-	-	-
Closing Balance	<u>9,481,022</u>	<u>9,282,183</u>	<u>8,562,238</u>	<u>8,118,648</u>	<u>20,141,964</u>	<u>20,142,186</u>	<u>7,240,096</u>	<u>6,094,594</u>	<u>26,634,528</u>
ACCUMULATED AMORTIZATION									
Opening Balance	-	-	2,743,306	2,528,342	4,994,185	4,458,227	3,443,827	3,343,537	14,156,678
Add: Amortization	-	-	240,607	229,546	544,608	535,958	357,342	277,599	623,060
Less: Write-downs	-	-	-	-	-	-	-	-	-
Less: Disposals	-	-	143	14,582	3,402	-	198,788	177,309	-
Closing Balance	<u>-</u>	<u>-</u>	<u>2,983,770</u>	<u>2,743,306</u>	<u>5,535,391</u>	<u>4,994,185</u>	<u>3,602,381</u>	<u>3,443,827</u>	<u>14,779,738</u>
Net Book Value	<u>\$ 9,481,022</u>	<u>\$ 9,282,183</u>	<u>\$ 5,578,468</u>	<u>\$ 5,375,342</u>	<u>\$ 14,606,573</u>	<u>\$ 15,148,001</u>	<u>\$ 3,637,715</u>	<u>\$ 2,650,767</u>	<u>\$ 11,854,790</u>

Included in the tangible capital assets are leased and financed assets with a total cost of \$618,978 - (2015 - \$931,236) and accumulated amortization of \$222,035 - (2015 - \$185,490)

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE X - CONTINUED

<u>Linear Infrastructure</u>										
Depreciation	Sanitary Sewer		Storm		Water		Assets Under Construction		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
\$ 25,876,555	\$ 20,053,758	\$ 19,996,796	\$ 8,193,116	\$ 8,123,714	\$ 16,450,450	\$ 16,374,424	\$ 12,846,248	\$ 3,755,487	\$ 127,352,752	\$ 116,044,743
315,628	15,467,097	56,962	334,065	70,422	185,859	80,015	302,074	9,123,785	18,960,999	11,592,224
20,613	9,547	-	-	1,020	-	3,989	12,818,842	33,024	13,249,626	284,214
-	-	-	-	-	-	-	-	-	-	-
26,171,570	35,511,308	20,053,758	8,527,181	8,193,116	16,636,309	16,450,450	329,480	12,846,248	133,064,126	127,352,752
13,543,624	6,146,953	5,719,947	2,083,357	1,974,264	4,609,005	4,313,218	-	-	38,177,311	35,881,159
633,515	696,247	427,006	113,042	109,782	300,500	298,751	-	-	2,875,406	2,512,157
-	-	-	-	-	-	-	-	-	-	-
20,461	1,528	-	-	689	-	2,964	-	-	203,861	216,005
14,156,678	6,841,672	6,146,953	2,196,399	2,083,357	4,909,505	4,609,005	-	-	40,848,856	38,177,311
\$ 12,014,892	\$ 28,669,636	\$ 13,906,805	\$ 6,330,782	\$ 6,109,759	\$ 11,726,804	\$ 11,841,445	\$ 329,480	\$ 12,846,248	\$ 92,215,270	\$ 89,175,441