

TOWN OF LADYSMITH
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017
AUDITED



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DECEMBER 31, 2017

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LADYSMITH

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.

A handwritten signature in black ink, consisting of a stylized 'G' followed by a horizontal line and a small flourish at the end.

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, 2017 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, 2017 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 16, 2018

MNP LLP
Chartered Professional Accountants

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash and short term deposits (Note 3)	\$ 20,440,472	\$ 19,171,188
Accounts receivable (Note 4)	<u>2,884,198</u>	<u>2,993,892</u>
	<u>23,324,670</u>	<u>22,165,080</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	2,387,417	2,478,417
Post-employment benefits (Note 6)	234,100	250,300
Deferred revenue (Note 7)	537,531	486,057
Refundable deposits and other (Note 8)	560,987	455,147
Restricted reserves - other (Note 9)	434,856	425,310
Development cost charge reserve (Note 9)	2,672,844	1,971,403
Federal gas tax reserve (Note 11)	1,481,511	1,310,274
Obligations under capital lease (Schedule I)	-	384,390
Equipment Financing (Note 12 & Schedule II)	359,437	34,179
Short term financing (Schedule III)	-	670,000
Debenture debt (Note 13 & Schedule IV)	<u>12,229,401</u>	<u>12,855,236</u>
	<u>20,898,084</u>	<u>21,320,713</u>
Net Financial Assets	<u>2,426,586</u>	<u>844,367</u>
Non-Financial Assets		
Tangible Capital Assets (Schedule XI)	93,885,690	92,215,270
Prepays	71,454	112,348
Inventory	<u>66,390</u>	<u>71,759</u>
	<u>94,023,534</u>	<u>92,399,377</u>
Accumulated Surplus (Note 18)	<u>\$ 96,450,120</u>	<u>\$ 93,243,744</u>

Commitments and Contingencies (Note 14)



 Director of Financial Services

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>Budget 2017</u> (Note 19)	<u>2016</u>
Revenue			
Taxes - (Schedule V)	\$ 10,146,909	\$ 10,147,315	\$ 9,648,476
Sale of Services (Schedule VI)	3,344,924	3,262,006	3,096,166
Investment Income	183,209	118,800	157,817
Licence, Permits, Rentals & Penalties (Schedule VII)	849,864	688,811	847,451
Grants (Schedule IX)	1,917,069	2,224,585	1,724,706
Donations and contributed tangible capital assets	335,638	23,500	319,015
Gain (loss) on foreign exchange	(42,008)	-	(83,675)
Gain on disposal of tangible capital assets	1,641,274	-	184,840
Development fees	-	173,000	-
Gas tax funds utilized (Note 11)	230,053	663,500	145,233
	<u>18,606,932</u>	<u>17,301,517</u>	<u>16,040,030</u>
Expenses			
General government services	2,329,962	2,581,705	2,305,352
Protective services	1,802,436	1,931,441	1,739,803
Transportation services	2,145,021	2,336,454	2,000,766
Garbage services	488,715	517,496	474,893
Cemetery services	36,876	30,372	37,374
Development services	771,490	874,165	612,929
Recreation and cultural services	2,743,912	2,790,209	2,581,754
Parks operation services	912,806	990,200	910,233
Sewer	2,879,780	2,847,806	2,072,169
Water	1,289,564	1,831,064	1,241,378
	<u>15,400,562</u>	<u>16,730,912</u>	<u>13,976,652</u>
Annual Surplus	3,206,370	570,605	2,063,378
Accumulated Surplus, beginning of year	<u>93,243,750</u>	<u>93,243,750</u>	<u>91,180,372</u>
Accumulated Surplus - end of year	<u>\$ 96,450,120</u>	<u>\$ 93,814,355</u>	<u>\$ 93,243,750</u>

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Operating Transactions		
Annual Surplus	\$ 3,206,370	\$ 2,063,378
Less non-cash items included in surplus:		
Amortization	3,245,199	2,875,406
Loss (gain) on disposal of tangible capital assets	(1,641,274)	(184,840)
Actuarial adjustments on debenture debt	(35,790)	(30,951)
Contributed tangible capital assets	<u>(319,473)</u>	<u>(300,085)</u>
	4,455,031	4,422,909
Accounts receivable	109,694	(59,655)
Prepaid expenses	40,894	(5,005)
Inventory	5,369	3,033
Accounts payable and accrued liabilities	(90,992)	447,924
Post employment benefits	(16,200)	(17,700)
Deferred revenues	51,474	117,208
Refundable deposits and other	105,840	63,427
Restricted reserves	9,546	(64,960)
Development cost charge reserve	701,441	201,531
Gas tax reserve	<u>171,237</u>	<u>249,624</u>
Cash provided by operating transactions	<u>5,543,335</u>	<u>5,358,336</u>
Capital Transactions		
Proceeds on sale of tangible capital assets	2,273,000	411,763
Cash used to acquire tangible capital assets	<u>(5,227,872)</u>	<u>(5,842,073)</u>
	<u>(2,954,872)</u>	<u>(5,430,310)</u>
Financing		
Proceeds of long-term financing	-	6,000,000
Repayment of long-term debt and capital leases	<u>(1,319,178)</u>	<u>(410,135)</u>
Net (Decrease) Increase in cash from financing	<u>(1,319,178)</u>	<u>5,589,865</u>
Increase in Cash and Short Term Deposits	1,269,284	5,517,891
Cash and Short Term Deposits - Beginning of Year	19,171,188	13,653,298
Cash and Short Term Deposits - End of Year	<u>\$ 20,440,472</u>	<u>\$ 19,171,188</u>

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>Budget 2017</u> (Note 19)	<u>2016</u>
Annual Surplus	\$ 3,206,370	\$ 570,605	\$ 2,063,378
Acquisition of tangible capital assets	(5,547,345)	(13,480,560)	(6,142,158)
Amortization of tangible capital assets	3,245,199	2,875,406	2,875,406
Loss (gain) on sale of tangible capital assets	(1,641,274)	-	(184,840)
Proceeds from sale of tangible capital assets	2,273,000	-	411,763
Decrease (Increase) in inventories	5,369	-	3,033
Decrease (Increase) in prepaids	40,900	-	(5,005)
Change in Net Financial Assets	<u>1,582,219</u>	<u>(10,034,549)</u>	<u>(978,423)</u>
Net Financial Assets, beginning of year	<u>844,367</u>		<u>1,822,790</u>
Net Financial Assets, end of year	<u>\$ 2,426,586</u>		<u>\$ 844,367</u>

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. General

The Town of Ladysmith 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.

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, 2017

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

(e) Restricted Reserves and Deferred Revenues

Receipts which are restricted by the legislation of senior governments or by agreement with external parties are deferred and reported as restricted reserves. When qualifying expenses are incurred, restricted reserves are brought into revenue at equal amounts, in accordance with Revenue Recognition policy 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.

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, 2017

2. Significant Accounting Policies (continued)

(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.

(h) Service Agreements & Rental Payments

Rental payments under operating leases are expensed as incurred.

The Town currently rents property at 132c Roberts Street for office space. The annual rental amount was \$ 33,062 (\$32,750 - 2016). The Town also rents property at 17 and 25 Roberts Street for a parking lot. The annual rental amount was \$ 7,500 (\$7,225 - 2016).

The Town also pays rent on behalf of the Ladysmith Visitors Centers for an office location at 33 Roberts Street. The annual rental amount was \$ 8,400 (\$8,400 - 2016) plus \$35,000 (\$35,000 - 2016) to provide visitor information and business support services.

Two new servicing agreements were signed in 2017 to receive museum and archives services from the Ladysmith and District Historical Society for \$23,500. The second agreement was for various program support for the Ladysmith Resources Centre Association for \$40,500 with an annual increase of 2% per year. Previously, these amounts were considered a grant in aid.

(i) 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, 2017.

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, 2017

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.

(j) 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.

(k) Inventory

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

(l) 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, 2017.

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, 2017

2. Significant Accounting Policies (continued)

(m) 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, 2017

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, 2017

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, 2017

3. Cash and Short Term Deposits

Cash and short term deposits were comprised as follows:

	<u>2017</u>	<u>2016</u>
Cash	\$ 19,660,237	\$ 18,398,477
Short term deposits	780,235	772,710
	<u>\$ 20,440,472</u>	<u>\$ 19,171,188</u>

Included in Cash is a deposit of \$610,685 (the equivalent of \$498,195 US Funds based on the exchange rate at the Ladysmith and District Credit Union on December 31, 2017). 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>2017</u>	<u>2016</u>
Restricted reserves - other	\$ 434,856	\$ 425,310
Federal gas tax reserve	1,481,511	1,310,274
Development cost charges reserve	2,672,844	1,971,403
	<u>\$ 4,589,211</u>	<u>\$ 3,706,987</u>

4. Accounts Receivable

	<u>2017</u>	<u>2016</u>
Property taxes	\$ 1,070,765	\$ 1,117,867
Other government	1,005,578	1,114,734
User fees and other	788,747	728,443
Developer receivables	16,253	16,253
Employee receivables	2,855	16,594
	<u>\$ 2,884,198</u>	<u>\$ 2,993,892</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, 2017

5. Accounts Payable and Accrued Liabilities

	<u>2017</u>	<u>2016</u>
General	\$ 1,756,045	\$ 1,306,404
Other governments	(94)	617
Salaries and wages	230,086	215,873
Contractor holdbacks	318,527	870,988
Accrued interest	82,854	84,535
	<u>\$ 2,387,417</u>	<u>\$ 2,478,417</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, 2017. The change in the liability in the financial statements in respect of obligations under the plan amounts to a reduction of \$16,200. (-\$17,700 - 2016).

The accrued post-employment benefits are as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 250,300	\$ 268,000
Current service costs	31,000	30,700
Benefits paid	(23,600)	(54,400)
Actuarial gain	(19,900)	6,000
Past service credit	(3,700)	-
Balance, end of year	<u>\$ 234,100</u>	<u>\$ 250,300</u>

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

	<u>2017</u>	<u>2016</u>
Discount Rate	2.90%	3.30%
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, 2017

7. Deferred Revenue

	<u>2017</u>	<u>2016</u>
Licence fees & charges	\$ 16,916	\$ 11,516
Rental payments	16,247	14,466
Property tax prepayments	380,299	330,524
Subdivisions prepayments	71,619	57,119
Recreation prepayments	36,971	39,491
Utilities prepayments	6,926	29,158
Other	8,552	3,782
	<u>\$ 537,531</u>	<u>\$ 486,057</u>

8. Refundable Deposits and Other

	<u>2017</u>	<u>2016</u>
Developer performance deposits	\$ 306,976	\$ 263,997
Damage deposits	213,450	190,950
Other	40,561	200
	<u>\$ 560,987</u>	<u>\$ 455,147</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, 2017

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.

Description	Balance Dec. 31, 2016	Interest	Contributions	Expenditures	Balance Dec. 31, 2017
DCC - Water	\$ 432,484	\$ 3,659	\$ 124,590	\$ -	\$ 560,733
DCC - Parks	354,092	3,428	292,879	-	650,399
DCC - Roads	487,460	4,058	122,884	-	614,402
DCC - Sewer	339,483	3,345	135,049	-	477,877
DCC - Storm	357,885	2,694	8,854	-	369,433
	<u>1,971,403</u>	<u>17,184</u>	<u>684,256</u>	<u>-</u>	<u>2,672,844</u>
Parking	73,548	555	-	-	74,103
Green Streets	1,452	11	-	-	1,463
Amphitheatre	17,499	134	700	-	18,333
LRCA/Seniors - Capital	299,718	334	2,480	-	302,531
B&G - Capital	33,094	269	5,064	-	38,426
	<u>425,310</u>	<u>1,302</u>	<u>8,244</u>	<u>-</u>	<u>434,856</u>
TOTAL	<u>\$ 2,396,713</u>	<u>\$ 18,487</u>	<u>\$ 692,499</u>	<u>\$ -</u>	<u>\$ 3,107,700</u>

A one-time repayment of \$225,366 to the DCC – Parks was made in 2017 to reimburse funds used to purchase property on Russell Road.

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, 2017

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.

	2017	2016
Opening balance of unspent funds	\$ 1,310,275	\$ 1,060,650
Add: Amounts received during the year	391,288	386,644
Interest earned	10,001	8,213
Less: Gas tax funds utilized	(230,053)	(145,233)
	\$ 1,481,511	\$ 1,310,275
Closing balance of unspent funds		

12. Obligations under Equipment Loan Financing

There are three equipment loans payable to the Municipal Finance Authority. An additional unexecuted loan for a fire truck has been approved by the Town electors. The future minimum loan payments under the equipment loan obligation are as follows:

2018	51,740
2019	47,115
2020	41,954
2021	35,285
2022	183,344
Thereafter	-

Debt interest, less actuarial adjustments in the consolidated statement of financial activities, is calculated as \$4,179 (\$6,646 - 2016).

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, 2017

12. Obligations under Equipment Loans (continued)

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

- 1) A five year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced September 2015 for the purchase of a 2005 Spartan fire truck. The remaining obligation will be repaid with monthly loan payments in the amount of \$776 including interest at a daily varying rate. The balance of the loan at December 31, 2017, which is included in equipment financing, is \$25,339 (\$34,178 - 2016). Loan to expire September 2020.
- 2) A five year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced May 2017 for the purchase of a 2012 Spartan fire truck. This was formerly a capital lease. The remaining obligation will be repaid with monthly loan payments in the amount of \$3,291 including interest at a daily varying rate. The balance of the loan at December 31, 2017, which is included in equipment financing, is \$320,191. Loan to expire May 2022.
- 3) A two year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced May 2017 for the purchase of fitness equipment. This was formerly a capital lease. The remaining obligation will be repaid with monthly loan payments in the amount of \$825 including interest at a daily varying rate. The balance of the loan at December 31, 2017, which is included in equipment financing, is \$13,907. Loan to expire May 2019.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

13. Debenture Debt

The total long term debt issued and outstanding as at December 31, 2017 was \$12,229,401 (\$12,855,236 as at December 31, 2016).

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

Principal repayments

	2018	2019	2020	2021	2022	Thereafter
General	\$ 66,033	\$ 66,033	\$ 66,033	\$ 66,033	\$ 66,033	\$ 594,296
Water	24,012	24,012	24,012	24,012	24,012	360,179
Sewer	500,000	500,000	500,000	500,000	500,000	7,000,000
	<u>\$ 590,045</u>	<u>\$ 590,045</u>	<u>\$ 590,045</u>	<u>\$ 590,045</u>	<u>\$ 590,045</u>	<u>\$ 7,954,476</u>

Actuarial sinking fund earnings

	2018	2019	2020	2021	2022	Thereafter
General	\$ 35,622	\$ 39,688	\$ 43,917	\$ 48,315	\$ 52,889	\$ 714,567
Water	5,202	6,371	7,586	8,850	10,165	351,530
Sewer	-	-	-	-	-	-
	<u>\$ 40,824</u>	<u>\$ 46,059</u>	<u>\$ 51,503</u>	<u>\$ 57,165</u>	<u>\$ 63,053</u>	<u>\$ 1,066,097</u>
	<u>\$630,869</u>	<u>\$636,104</u>	<u>\$641,548</u>	<u>\$647,210</u>	<u>\$653,098</u>	<u>\$9,020,573</u>

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

	Interest	Actuarial Adjustment	2017 Net	2016 Net
General - Interest	\$ 48,125	\$ 31,712	\$ 16,413	\$ 136,286
Water - Interest	34,000	4,079	29,921	32,041
Sewer - Interest	195,819	-	195,819	(3,101)
	<u>\$ 277,944</u>	<u>\$ 35,791</u>	<u>\$ 242,154</u>	<u>\$ 165,226</u>

An additional \$6 million dollars in long term debt to construct a water filtration plant was approved by the electors in 2017 but not executed.

14. 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.

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, 2017

14. Commitments and Contingencies (continued)

- iii) Various claims have been made against the Town as at December 31, 2017 for incidents which 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 employer 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, 2016, the Plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 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.

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. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1.927 billion was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Town of Ladysmith paid \$463,018 (2016 - \$429,034) for employer contributions to the Plan in fiscal 2017.

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

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

14. Commitments and Contingencies (continued)

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.

15. Significant Taxpayers

The Town is reliant upon 10 taxpayers for approximately 14.88% (15.54% - 2016) of the total property tax revenue which includes Western Forest Products at approximately 7.34% (7.67% - 2016) of the total property tax revenue.

16. 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>2017</u>	<u>2016</u>
Assets		
Cash and short term investment	<u>\$ 155,937</u>	<u>\$ 152,957</u>
Equity		
Opening balance	\$ 152,957	\$ 147,252
Interest	1,946	1,896
Transfer interest to fund cemetery costs	(1,946)	(1,896)
Contributions	<u>2,980</u>	<u>5,705</u>
Balance, end of year	<u>\$ 155,937</u>	<u>\$ 152,957</u>

17. 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, 2017

18. Accumulated Surplus

The Town segregates its accumulated surplus in the following categories:

	2017	2016
Unappropriated equity	\$ 4,663,966	\$ 4,309,353
Appropriated equity (Schedule VIII)	7,947,431	9,301,011
	12,611,396	13,610,363
 Capital Funds		
General capital fund	149,442	139,299
Sewer capital fund	7,718	17,119
Water capital fund	432,851	612,520
	590,011	768,938
 Reserve Funds		
Reserve funds (Schedule VIII)	1,951,856	592,975
Equity in Tangible Capital Assets	81,296,857	78,271,467
Total Accumulated Surplus	\$ 96,450,120	\$ 93,243,744

19. Annual Budget

Fiscal plan amounts represent the Financial Plan Bylaw adopted by Council on May 2, 2017.

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	(2,875,406)
Proceeds from new debt	(6,635,000)
Transfers to/from own funds	(4,489,476)
Less:	
Principal payments on debt	1,089,927
Capital expenditures per budget	14,767,855
Capital Expenditures expensed according to Tangible Capital Asset Policy	(1,287,295)
Adjusted Annual Surplus	\$ 570,605

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, 2017

20. 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.

21. Segmented Information

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

General Government Services

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

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, 2017

21. Segmented Information (continued)

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.

Recreation and Culture

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

Parks

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

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

21. Segmented Information (continued)

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.

TOWN OF LADYSMITH
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE I

	Term	Original Amount	Balance Dec 31, 2016	Principal Payments	Net Interest ⁽¹⁾	Balance Dec 31, 2017	Interest Rate
Fire Bush Truck	2012-17	\$ 83,652	\$ 7,305	\$ 7,305	\$ 29	\$ -	1.70%
Spartan Fire Truck	2013-18	452,066	349,561	349,561	2,103	\$ -	1.70%
P.W. Copier	2012-17	6,748	810	810	4	\$ -	1.70%
Ricoh Copier - FJCC	2014-19	8,967	3,980	3,980	23	\$ -	1.70%
Fitness Equip - FJCC	2014-19	47,765	22,735	22,735	130	\$ -	1.70%
		\$ 599,198	\$ 384,390	\$ 384,390	\$ 2,288	\$ -	

⁽¹⁾ Interest, net of actuarial adjustments

TOWN OF LADYSMITH
SCHEDULE OF EQUIPMENT LOAN FINANCING
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE II

	<u>Term</u>	<u>Original Amount</u>	<u>Balance Dec 31, 2016</u>	<u>Principal Payments</u>	<u>Net Interest ⁽¹⁾</u>	<u>Balance Dec 31, 2017</u>	<u>Interest Rate</u>
Spartan Fire Truck	2015-20	\$ 45,132	\$ 34,179	\$ 8,840	\$ 474	\$ 25,339	1.39%
Spartan Fire Truck	2017-22	339,896	-	19,705	3,523	\$ 320,191	0.88%
Fitness Equip - FJCC	2017-19	19,509	-	5,601	182	\$ 13,907	0.88%
		<u>\$ 404,537</u>	<u>\$ 34,179</u>	<u>\$ 34,146</u>	<u>\$ 4,179</u>	<u>\$ 359,437</u>	

⁽¹⁾ Interest, net of actuarial adjustments

TOWN OF LADYSMITH
SCHEDULE OF SHORT TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE III

<u>Term</u>	<u>Original Amount</u>	<u>Balance Dec 31, 2016</u>	<u>Principal Payments</u>	<u>Net Interest ⁽¹⁾</u>	<u>Balance Dec 31, 2017</u>	<u>Interest Rate</u>
<u>General Capital Fund</u>						
2015 Buller Street Properties	5 years	\$ 920,000	\$ 670,000	\$ 670,000	\$ 5,353	\$ - 1.38%
		<u>\$ 920,000</u>	<u>\$ 670,000</u>	<u>\$ 670,000</u>	<u>\$ 5,353</u>	<u>\$ -</u>

TOWN OF LADYSMITH
SCHEDULE OF DEBENTURE DEBT
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE IV

	Issue #	Term	Original Amount	Balance Dec 31, 2016	Principal Payments	Net Interest ⁽¹⁾	Balance Dec 31, 2017	Interest Rate
<u>General Capital Fund</u>								
2006 RCMP Building	97	2006-31	2,750,000	1,957,202	97,745	16,413	1,859,457	4.66%
<u>Water Capital Fund</u>								
2012 Water Improvements	118	2012-37	1,000,000	898,034	28,091	29,921	869,943	3.40%
<u>Sewer Capital Fund</u>								
2016 Sewer Treatment Plant	138	2016-36	10,000,000	10,000,000	500,000	195,819	9,500,000	6.45%
			\$ 13,750,000	\$ 12,855,236	\$ 625,835	\$ 242,154	\$ 12,229,401	

⁽¹⁾ Interest, net of actuarial adjustments

TOWN OF LADYSMITH
SCHEDULE OF TAX REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE V

	<u>Actuals</u> <u>2017</u>	<u>Budget</u> <u>2017</u>	<u>Actuals</u> <u>2016</u>
General Taxes			
General municipal purposes	\$ 7,721,249	\$ 7,733,844	\$ 7,683,410
Grants in lieu and 1% utility tax	165,294	159,024	163,974
Water and sewer parcel tax	2,260,367	2,254,447	1,801,092
	<u>\$ 10,146,909</u>	<u>\$ 10,147,315</u>	<u>\$ 9,648,476</u>
Collections for other governments:			
School district	\$ 2,880,030	\$ 2,880,847	\$ 2,959,379
Regional hospital district	788,355	788,521	770,827
Regional district	1,237,926	1,238,188	1,140,438
BCAA and MFA	72,339	72,373	79,070
Library	364,616	365,105	353,236
	<u>\$ 5,343,266</u>	<u>\$ 5,345,034</u>	<u>\$ 5,302,950</u>
Less:			
Transmission of taxes levied for other agencies:			
School district	\$ 2,880,030	\$ 2,880,847	\$ 2,959,379
Regional hospital district	788,355	788,521	770,827
Regional district	1,237,926	1,238,188	1,140,438
BCAA and MFA	72,339	72,373	79,070
Library	364,616	365,105	353,236
	<u>\$ 5,343,266</u>	<u>\$ 5,345,034</u>	<u>\$ 5,302,950</u>
Net Taxation	<u>\$ 10,146,909</u>	<u>\$ 10,147,315</u>	<u>\$ 9,648,476</u>

TOWN OF LADYSMITH
SALES OF SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE VI

	Actuals 2017	Budget 2017	Actuals 2016
	<u> </u>	<u> </u>	<u> </u>
Administration recoveries	\$ 34,699	\$ 30,800	\$ 116,826
Cemetery services	23,615	30,500	39,860
Fire service agreements	73,522	65,500	65,531
Public Works recoveries	1,290	-	(1,870)
Recreation services	533,061	555,035	564,375
Sewer utility fees	1,087,316	1,062,842	840,367
Solid waste fees	642,186	617,136	633,854
Water utility fees	949,234	900,193	837,223
	<u>\$ 3,344,924</u>	<u>\$ 3,262,006</u>	<u>\$ 3,096,166</u>

TOWN OF LADYSMITH
LICENSES, PERMITS, RENTALS & PENALTIES
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE VII

	Actuals 2017	Budget 2017	Actuals 2016
Facility Rentals & Leases	\$ 337,757	\$ 287,892	\$ 324,268
Fines	4,855	5,400	6,964
Licences	88,641	84,994	88,248
Penalties and interest	146,823	120,000	151,203
Permits, Licences & Fees	<u>271,787</u>	<u>190,525</u>	<u>276,769</u>
	<u>\$ 849,864</u>	<u>\$ 688,811</u>	<u>\$ 847,451</u>

TOWN OF LADYSMITH
CONTINUITY SCHEDULE OF RESERVES & APPROPRIATED EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE VIII

(Unaudited)

	Balance Dec. 31, 2016	Interest Allocated	Contributions	Funding	Balance Dec. 31, 2017
RESERVES					
Tax Sale	\$ 26,029	\$ 215	\$ -	\$ -	\$ 26,244
Perpetual Safety Fund	12,952	107	-	-	13,059
Sale Real Property	244,671	6,920	2,273,000	987,001	1,537,590
Municipal Office Building	235,000	-	60,000	-	295,000
Amenity Funds	74,323	639	5,000	-	79,962
TOTAL RESERVES	\$ 592,975	\$ 7,882	\$ 2,338,000	\$ 987,001	\$ 1,951,856
APPROPRIATED EQUITY - OPERATIONS					
General Operating Fund					
Future Projects	2,012,601	-	2,492,420	830,139	3,674,882
Equipment	1,273,331	-	172,525	164,356	1,281,500
Land & Building	210,569	-	73,233	253,083	30,719
Tax Contingency	7,986	-	-	-	7,986
Snow & Ice Removal	30,000	-	-	30,000	-
Infrastructure Deficit	441,304	-	211,243	160,966	491,581
Multi-Materials BC Rebate	222,713	-	69,212	-	291,925
	<u>4,198,504</u>	<u>-</u>	<u>3,018,633</u>	<u>1,438,544</u>	<u>5,778,593</u>
Water Operating Fund					
Capital Expenditures	1,285,795	-	360,895	477,360	1,169,330
MFA Surplus Refunds	524,075	-	-	-	524,075
Total Water Operating Fund	<u>1,809,870</u>	<u>-</u>	<u>360,895</u>	<u>477,360</u>	<u>1,693,405</u>
Sewer Operating Fund					
Capital Expenditures	2,680,693	-	25,023	2,230,283	475,433
MFA Surplus Refunds	611,944	-	-	611,944	-
Total Sewer Operating Fund	<u>3,292,637</u>	<u>-</u>	<u>25,023</u>	<u>2,842,227</u>	<u>475,433</u>
TOTAL APPROPRIATED EQUITY	\$ 9,301,011	\$ -	\$ 3,404,551	\$ 4,758,131	\$ 7,947,431
TOTAL RESERVES AND APPROPRIATED EQUITY	\$ 9,893,986	\$ 7,882	\$ 5,742,551	\$ 5,745,132	\$ 9,899,286

TOWN OF LADYSMITH
SCHEDULE OF GRANT REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE IX

	<u>Actuals 2017</u>	<u>Budget 2017</u>	<u>Actuals 2016</u>
Operating Grants			
Traffic Fines Revenue	\$ 45,564	\$ 48,422	\$ 48,422
Small Communities	461,270	454,775	454,775
CVRD Recreation	128,268	126,000	126,525
Other	35,577	21,664	39,688
	<u>670,679</u>	<u>650,861</u>	<u>669,410</u>
Capital Grants			
1st Avenue/Roundabout Sidewalk	\$ -	\$ -	\$ 10,000
2nd Avenue/High St Crosswalk	-	10,000	-
2017 Tree Replacements	-	6,000	-
Aggie Playground Improvements	-	-	5,079
Asset Management	70,848	80,000	-
Bio-Solids Business Case	10,000	-	-
Canada 150	46,000	-	-
Composting Facility	548,274	570,224	21,950
Derelict Vessels	2,520	-	-
Energy and Facility Assessment	-	-	10,000
Machine Shop Museum	-	100,000	-
Stz` uminus First Nation Cooperation Protocol/C2C	1,685	-	2,267
Traffic Safety Audit	-	7,500	-
Upper Transfer Beach Improvements	-	-	6,000
Wastewater Treatment Plant Upgrade	-	-	1,000,000
Water Filtration	567,064	800,000	-
	<u>1,246,391</u>	<u>1,573,724</u>	<u>1,055,296</u>
	<u>\$ 1,917,069</u>	<u>\$ 2,224,585</u>	<u>\$ 1,724,706</u>

TOWN OF LADYSMITH
STATEMENT OF OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE X

	General Government		Protective Services		Transportation, Garbage & Cemetery Services		Development Services	
	2017	2016	2017	2016	2017	2016	2017	2016
REVENUE								
Tax	\$ 7,886,543	\$ 7,847,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of services	32,754	25,073	73,522	155,388	669,036	673,739	-	-
Investment income & MFA Refunds	183,209	157,817	-	-	-	-	-	-
Licence, Permits, Rentals & Penalties	114,817	121,445	191,790	187,815	111,270	138,703	215,624	211,288
Grants	465,475	457,042	45,564	48,422	16,241	19,092	-	5,964
Donations & contributed property	-	-	-	-	215,797	226,560	5,000	-
Gain (loss) on foreign exchange	(42,008)	(83,675)	-	-	-	-	-	-
Gain (loss) on disposal	1,866,640	193,716	-	-	-	(1,807)	-	-
Development fees	-	-	-	-	-	-	-	-
Gas tax fund utilized	-	-	40,000	-	7,983	40,000	126,872	10,850
Total revenue	10,507,430	8,718,804	350,876	391,626	1,020,327	1,096,288	347,496	228,102
EXPENSES								
Contracted Services	403,373	327,015	1,148,132	1,029,755	566,463	552,201	264,363	109,736
Service Agreements/Grants In Aid	161,073	107,348	-	12,000	-	-	-	-
Insurance	58,686	69,336	17,357	22,927	4,930	5,218	-	-
Interest	5,353	11,170	22,542	50,884	4	25	-	-
Materials & Supplies	69,603	77,056	139,451	106,041	156,285	134,583	9,584	14,440
Utilities & Telephone	17,093	14,044	23,403	43,436	143,365	142,501	4,686	7,420
Wages & Benefits	1,537,156	1,587,926	270,124	271,517	934,092	871,257	467,447	461,172
Other	(147,370)	(108,593)	31,518	40,541	19,968	(28,804)	19,896	16,772
Amortization	224,995	220,050	149,909	162,702	845,505	838,995	5,514	3,389
Total expenses	2,329,962	2,305,352	1,802,436	1,739,803	2,670,612	2,515,975	771,490	612,929
Surplus (Deficit)	\$ 8,177,468	\$ 6,413,452	\$ (1,451,560)	\$ (1,348,178)	\$ (1,650,286)	\$ (1,419,687)	\$ (423,994)	\$ (384,827)

TOWN OF LADYSMITH
STATEMENT OF OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE X –CONTINUED

Recreation & Culture Services		Parks Operations Services		Sewer Operations Services		Water Operations Services		Total Actual	Total Actual
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
\$ -	\$ -	\$ -	\$ -	\$ 1,084,353	\$ 965,172	\$ 1,176,014	\$ 835,920	10,146,909	\$ 9,648,476
533,061	564,375	-	-	1,087,316	840,367	949,234	837,223	3,344,924	3,096,165
-	-	-	-	-	-	-	-	183,209	157,817
188,467	165,219	-	-	14,287	11,671	13,609	11,310	849,864	847,451
264,452	168,422	-	3,813	558,274	1,021,950	567,064	-	1,917,069	1,724,706
3,665	33,325	7,500	18,930	44,436	23,700	59,240	16,500	335,638	319,015
-	-	-	-	-	-	-	-	(42,008)	(83,675)
-	1,070	-	(120)	-	(8,019)	-	-	1,641,275	184,840
-	-	-	-	-	-	-	-	-	-
55,199	51,000	-	43,384	-	-	-	-	230,053	145,233
<u>1,044,844</u>	<u>983,411</u>	<u>7,500</u>	<u>66,007</u>	<u>2,788,666</u>	<u>2,854,841</u>	<u>2,765,161</u>	<u>1,700,953</u>	<u>18,606,933</u>	<u>16,040,029</u>
309,423	278,478	70,458	66,416	492,329	76,620	145,256	110,420	3,399,797	2,550,642
-	-	-	-	-	-	-	-	161,073	119,348
38,496	33,268	4,076	3,978	15,396	15,370	11,201	11,193	150,142	161,290
334	524	-	-	195,819	143,315	29,921	31,064	253,973	236,983
135,615	100,387	78,886	85,470	177,524	275,837	89,933	106,604	856,881	900,420
218,844	171,729	5,455	5,270	117,411	87,936	10,817	9,538	541,074	481,873
1,793,990	1,759,230	420,163	390,167	514,332	503,623	411,775	414,556	6,349,079	6,259,448
23,415	21,924	86,327	94,990	203,871	180,643	205,718	176,712	443,343	394,184
223,795	216,214	247,441	263,942	1,163,098	788,825	384,942	381,289	3,245,199	2,875,406
<u>2,743,912</u>	<u>2,581,754</u>	<u>912,806</u>	<u>910,233</u>	<u>2,879,780</u>	<u>2,072,169</u>	<u>1,289,564</u>	<u>1,241,378</u>	<u>15,400,563</u>	<u>13,979,594</u>
<u>\$ (1,699,068)</u>	<u>\$ (1,598,343)</u>	<u>\$ (905,306)</u>	<u>\$ (844,227)</u>	<u>\$ (91,114)</u>	<u>\$ 782,672</u>	<u>\$ 1,475,597</u>	<u>\$ 459,576</u>	<u>\$ 3,206,370</u>	<u>\$ 2,060,435</u>

**TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

SCHEDULE XI

	<u>Land</u>		<u>Land Improvements</u>		<u>Buildings</u>		<u>Vehicle Furniture & Equipment</u>		<u>Transportation</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
COST									
Opening Balance	\$ 9,481,022	\$ 9,282,183	\$ 8,562,238	\$ 8,118,648	\$ 20,141,964	\$ 20,142,186	\$ 7,240,096	\$ 6,094,594	\$ 26,634,528
Add: Additions	921,270	279,251	55,184	443,853	529,427	135,052	378,666	1,350,790	208,858
Less: Disposals	406,360	80,412	-	263	-	135,274	3,377	205,288	-
Less: Write-downs	-	-	-	-	-	-	-	-	-
Closing Balance	<u>9,995,932</u>	<u>9,481,022</u>	<u>8,617,422</u>	<u>8,562,238</u>	<u>20,671,391</u>	<u>20,141,964</u>	<u>7,615,385</u>	<u>7,240,096</u>	<u>26,843,386</u>
ACCUMULATED AMORTIZATION									
Opening Balance	-	-	2,983,770	2,743,306	5,535,391	4,994,185	3,602,381	3,443,827	14,779,738
Add: Amortization	-	-	242,133	240,607	555,152	544,608	441,965	357,342	605,452
Less: Write-downs	-	-	-	-	-	-	-	-	-
Less: Disposals	-	-	-	143	-	3,402	3,377	198,788	-
Closing Balance	<u>-</u>	<u>-</u>	<u>3,225,903</u>	<u>2,983,770</u>	<u>6,090,543</u>	<u>5,535,391</u>	<u>4,040,969</u>	<u>3,602,381</u>	<u>15,385,190</u>
Net Book Value	<u>\$ 9,995,932</u>	<u>\$ 9,481,022</u>	<u>\$ 5,391,519</u>	<u>\$ 5,578,468</u>	<u>\$ 14,580,848</u>	<u>\$ 14,606,573</u>	<u>\$ 3,574,416</u>	<u>\$ 3,637,715</u>	<u>\$ 11,458,196</u>

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

SCHEDULE XI - CONTINUED

Linear Infrastructure										
Transportation	Sanitary Sewer		Storm		Water		Assets Under Construction		Total	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
\$ 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	\$ 133,064,125	\$ 127,352,751
462,958	402,976	15,467,097	80,300	334,065	77,308	185,859	2,927,392	302,074	5,581,381	18,960,999
-	-	9,547	-	-	-	-	259,401	12,818,842	669,138	13,249,626
-	-	-	-	-	-	-	-	-	-	-
<u>26,634,528</u>	<u>35,914,284</u>	<u>35,511,308</u>	<u>8,607,481</u>	<u>8,527,181</u>	<u>16,713,617</u>	<u>16,636,309</u>	<u>2,997,471</u>	<u>329,480</u>	<u>137,976,368</u>	<u>133,064,125</u>
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
623,060	981,321	696,247	116,328	113,042	302,848	300,500	-	-	3,245,199	2,875,406
-	-	-	-	-	-	-	-	-	-	-
-	-	1,528	-	-	-	-	-	-	3,377	203,861
<u>14,779,738</u>	<u>7,822,993</u>	<u>6,841,672</u>	<u>2,312,727</u>	<u>2,196,399</u>	<u>5,212,353</u>	<u>4,909,505</u>	<u>-</u>	<u>-</u>	<u>44,090,678</u>	<u>40,848,856</u>
<u>\$ 11,854,790</u>	<u>\$ 28,091,291</u>	<u>\$ 28,669,636</u>	<u>\$ 6,294,754</u>	<u>\$ 6,330,782</u>	<u>\$ 11,501,264</u>	<u>\$ 11,726,804</u>	<u>\$ 2,997,471</u>	<u>\$ 329,480</u>	<u>\$ 93,885,690</u>	<u>\$ 92,215,269</u>