



**TOWN OF LADYSMITH**  
**STATEMENT OF FINANCIAL INFORMATION**  
**YEAR ENDED DECEMBER 31, 2017**



**TOWN OF LADYSMITH**

***Financial Information Act***

**STATEMENT OF FINANCIAL INFORMATION**

**YEAR ENDED DECEMBER 31, 2017**

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LADYSMITH

**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.

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Guillermo Ferrero  
Chief Administration Officer

## **Independent Auditors' Report**

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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**

|   | <b>2017</b>          | <b>2016</b>          |
|---|----------------------|----------------------|
| <b>Financial Assets</b>                           |                      |                      |
| Cash and short term deposits (Note 3)             | \$ 20,440,472        | \$ 19,171,188        |
| Accounts receivable (Note 4)                      | 2,884,198            | 2,993,892            |
|   | 23,324,670           | 22,165,080           |
| <b>Liabilities</b>                                |                      |                      |
| 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)            | 12,229,401           | 12,855,236           |
|   | 20,898,084           | 21,320,713           |
| <b>Net Financial Assets</b>                       | <b>2,426,586</b>     | <b>844,367</b>       |
| <b>Non-Financial Assets</b>                       |                      |                      |
| Tangible Capital Assets (Schedule XI)             | 93,885,690           | 92,215,270           |
| Prepays   | 71,454               | 112,348              |
| Inventory   | 66,390               | 71,759               |
|   | 94,023,534           | 92,399,377           |
| <b>Accumulated Surplus (Note 18)</b>              | <b>\$ 96,450,120</b> | <b>\$ 93,243,744</b> |

*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<br/>2017</u><br>(Note 19) | <u>2016</u>          |
|--|----------------------|-------------------------------------|----------------------|
| <b>Revenue</b>                                       |                      |                                     |                      |
| 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>    |
| <b>Expenses</b>                                      |                      |                                     |                      |
| 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<br/>2017</u><br>(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.

**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           |
| Total restricted cash            | <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 2<sup>nd</sup> Avenue and 220 High Street.

| Description            | Balance<br>Dec. 31, 2016 | Interest         | Contributions     | Expenditures | Balance<br>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.

|                                       | <b>2017</b>  | <b>2016</b>  |
|---------------------------------------|--------------|--------------|
| 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 |

**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>\$ 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>       |
|--|-------------------|-------------------|
| <b>Assets</b>                            |                   |                   |
| Cash and short term investment           | <u>\$ 155,937</u> | <u>\$ 152,957</u> |
| <b>Equity</b>                            |                   |                   |
| 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.

*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**

**18. Accumulated Surplus**

The Town segregates its accumulated surplus in the following categories:

|                                     | <b>2017</b>   | <b>2016</b>   |
|-------------------------------------|---------------|---------------|
| Unappropriated equity               | \$ 4,663,966  | \$ 4,309,353  |
| Appropriated equity (Schedule VIII) | 7,947,431     | 9,301,011     |
|                                     | 12,611,396    | 13,610,363    |
| <br><b>Capital Funds</b>            |               |               |
| 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       |
| <br><b>Reserve Funds</b>            |               |               |
| 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**

|                      | <b>Term</b> | <b>Original<br/>Amount</b> | <b>Balance<br/>Dec 31, 2016</b> | <b>Principal<br/>Payments</b> | <b>Net<br/>Interest <sup>(1)</sup></b> | <b>Balance<br/>Dec 31, 2017</b> | <b>Interest<br/>Rate</b> |
|----------------------|-------------|----------------------------|---------------------------------|-------------------------------|--|---------------------------------|--------------------------|
| 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%                    |
|                      |             | <b>\$ 599,198</b>          | <b>\$ 384,390</b>               | <b>\$ 384,390</b>             | <b>\$ 2,288</b>                        | <b>\$ -</b>                     |                          |

<sup>(1)</sup> 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<br/>Amount</u> | <u>Balance<br/>Dec 31, 2016</u> | <u>Principal<br/>Payments</u> | <u>Net<br/>Interest <sup>(1)</sup></u> | <u>Balance<br/>Dec 31, 2017</u> | <u>Interest<br/>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>               |                          |

<sup>(1)</sup> 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<br/>Amount</u> | <u>Balance<br/>Dec 31, 2016</u> | <u>Principal<br/>Payments</u> | <u>Net Interest <sup>(1)</sup></u> | <u>Balance<br/>Dec 31, 2017</u> | <u>Interest Rate</u> |
|------------------------------------|----------------------------|---------------------------------|-------------------------------|------------------------------------|---------------------------------|----------------------|
| <b><u>General Capital Fund</u></b> |                            |                                 |                               |                                    |                                 |                      |
| 2015 Buller Street Properties      | \$ 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**

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

<sup>(1)</sup> Interest, net of actuarial adjustments

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

**SCHEDULE V**

|   | <u>Actuals</u><br><u>2017</u> | <u>Budget</u><br><u>2017</u> | <u>Actuals</u><br><u>2016</u> |
|---|-------------------------------|------------------------------|-------------------------------|
| <b>General Taxes</b>                                    |                               |                              |                               |
| 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>           |
| <b>Collections for other governments:</b>               |                               |                              |                               |
| 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>           |
| <b>Less:</b>  |                               |                              |                               |
| <b>Transmission of taxes levied for other agencies:</b> |                               |                              |                               |
| 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>           |
| <b>Net Taxation</b>                                     | <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**

|                           | <b>Actuals<br/>2017</b>    | <b>Budget<br/>2017</b>     | <b>Actuals<br/>2016</b>    |
|---------------------------|----------------------------|----------------------------|----------------------------|
| 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                    |
|                           | <b><u>\$ 3,344,924</u></b> | <b><u>\$ 3,262,006</u></b> | <b><u>\$ 3,096,166</u></b> |

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

**SCHEDULE VII**

|                           | <b>Actuals<br/>2017</b>  | <b>Budget<br/>2017</b>   | <b>Actuals<br/>2016</b>  |
|---------------------------|--------------------------|--------------------------|--------------------------|
| 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>           |
|                           | <b><u>\$ 849,864</u></b> | <b><u>\$ 688,811</u></b> | <b><u>\$ 847,451</u></b> |

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

**SCHEDULE VIII**

(Unaudited)

|   | Balance<br>Dec. 31, 2016 | Interest<br>Allocated | Contributions       | Funding             | Balance<br>Dec. 31, 2017 |
|---|--------------------------|-----------------------|---------------------|---------------------|--------------------------|
| <b>RESERVES</b>                               |                          |                       |                     |                     |                          |
| 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                   |
| <b>TOTAL RESERVES</b>                         | <b>\$ 592,975</b>        | <b>\$ 7,882</b>       | <b>\$ 2,338,000</b> | <b>\$ 987,001</b>   | <b>\$ 1,951,856</b>      |
| <b>APPROPRIATED EQUITY - OPERATIONS</b>       |                          |                       |                     |                     |                          |
| 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>           |
| <b>TOTAL APPROPRIATED EQUITY</b>              | <b>\$ 9,301,011</b>      | <b>\$ -</b>           | <b>\$ 3,404,551</b> | <b>\$ 4,758,131</b> | <b>\$ 7,947,431</b>      |
| <b>TOTAL RESERVES AND APPROPRIATED EQUITY</b> | <b>\$ 9,893,986</b>      | <b>\$ 7,882</b>       | <b>\$ 5,742,551</b> | <b>\$ 5,745,132</b> | <b>\$ 9,899,286</b>      |

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

**SCHEDULE IX**

|   | <u>Actuals<br/>2017</u> | <u>Budget<br/>2017</u> | <u>Actuals<br/>2016</u> |
|---|-------------------------|------------------------|-------------------------|
| <b>Operating Grants</b>                           |                         |                        |                         |
| 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>          |
| <b>Capital Grants</b>                             |                         |                        |                         |
| 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**

|                                       | <b>General<br/>Government</b> |                     | <b>Protective<br/>Services</b> |                       | <b>Transportation,<br/>Garbage &amp; Cemetery<br/>Services</b> |                       | <b>Development<br/>Services</b> |                     |
|---------------------------------------|-------------------------------|---------------------|--------------------------------|-----------------------|--|-----------------------|---------------------------------|---------------------|
|                                       | <b>2017</b>                   | <b>2016</b>         | <b>2017</b>                    | <b>2016</b>           | <b>2017</b>  | <b>2016</b>           | <b>2017</b>                     | <b>2016</b>         |
| <b>REVENUE</b>                        |                               |                     |                                |                       |  |                       |                                 |                     |
| 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              |
| <b>Total revenue</b>                  | <b>10,507,430</b>             | <b>8,718,804</b>    | <b>350,876</b>                 | <b>391,626</b>        | <b>1,020,327</b>   | <b>1,096,288</b>      | <b>347,496</b>                  | <b>228,102</b>      |
| <b>EXPENSES</b>                       |                               |                     |                                |                       |  |                       |                                 |                     |
| 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               |
| <b>Total expenses</b>                 | <b>2,329,962</b>              | <b>2,305,352</b>    | <b>1,802,436</b>               | <b>1,739,803</b>      | <b>2,670,612</b>   | <b>2,515,975</b>      | <b>771,490</b>                  | <b>612,929</b>      |
| <b>Surplus (Deficit)</b>              | <b>\$ 8,177,468</b>           | <b>\$ 6,413,452</b> | <b>\$ (1,451,560)</b>          | <b>\$ (1,348,178)</b> | <b>\$ (1,650,286)</b>  | <b>\$ (1,419,687)</b> | <b>\$ (423,994)</b>             | <b>\$ (384,827)</b> |

**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 &amp; 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>           |
| <b>COST</b>                     |                     |                     |                          |                     |                      |                      |  |                     |                       |
| 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>     |
| <b>ACCUMULATED AMORTIZATION</b> |                     |                     |                          |                     |                      |                      |  |                     |                       |
| 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>     |
| <b>Net Book Value</b>           | <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> |

**TOWN OF LADYSMITH**  
**STATEMENT OF FINANCIAL INFORMATION**  
**YEAR ENDED DECEMBER 31, 2017**  
**SCHEDULE OF DEBTS**

Information on all long-term debts for this organization is included in Schedules I, II, III & IV to the financial statements.

**TOWN OF LADYSMITH**  
**STATEMENT OF FINANCIAL INFORMATION**  
**YEAR ENDED DECEMBER 31, 2017**  
**SCHEDULE OF GUARANTEE AND INDEMNITY AGREEMENTS**

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

**TOWN OF LADYSMITH**  
**STATEMENT OF FINANCIAL INFORMATION**  
**YEAR ENDED DECEMBER 31, 2017**  
**SCHEDULE OF RENUMERATION AND EXPENSES**

**Elected Officials, as per Sec. 168 of the *Community Charter***  
**As per Sec. 2 - *Financial Information Act* and *Financial Information Regulation 371/93*:**

| NAME                           | POSITION   | REMUNERATION           |                   | EXPENSES        |
|--------------------------------|------------|------------------------|-------------------|-----------------|
|                                |            | Financial Compensation | Expense Allowance | Additional      |
| Stone, Aaron                   | Mayor      | \$20,343               | \$10,172          | \$6,318         |
| Arnett, Steven                 | Councillor | 8,313                  | 4,157             | 3,810           |
| Fradin, Calvin                 | Councillor | 9,650                  | 4,825             | 810             |
| Friesenhan, Joe                | Councillor | 9,650                  | 4,825             | 3,075           |
| Henderson, Carol               | Councillor | 9,650                  | 4,825             | 25              |
| Hutchins, Robert               | Councillor | 9,650                  | 4,825             | 0               |
| Paterson, Donald               | Councillor | 9,650                  | 4,825             | 2,554           |
| <b>Total Elected Officials</b> |            | <b>\$76,906</b>        | <b>\$38,454</b>   | <b>\$16,592</b> |

**As per Section 2 - *Financial Information Act* and *Financial Information Regulation 371/93*:**

| NAME  | POSITION                                | REMUNERATION       | EXPENSES        |
|---|---|--------------------|-----------------|
| Adams, Felicity   | Director of Development Services        | \$130,202          | \$3,336         |
| Anderson, Erin  | Director of Financial Services          | 130,231            | 2,596           |
| Baker, Curtis   | Utilities III/Chief Operator            | 106,234            | 3,039           |
| Bollinger, Colin  | Senior Building Inspector               | 85,024             | 5,149           |
| Brinkman, Lisa  | Sr Planner/Dev Approvals Supervisor     | 75,876             | 1,256           |
| Britton, Glen   | Parks Maintenance Supervisor            | 77,917             | 2,443           |
| Brown, Michael  | Certified Utilities Operator III        | 95,496             | 590             |
| Ferrero, Guillermo  | City Manager                            | 147,198            | 12,809          |
| Fukakusa, Gerald  | Manager of Accounting Services          | 106,581            | 3,185           |
| Ganderton, Mike   | Operations Supervisor                   | 83,645             | 2,697           |
| Goldfuss, Kevin   | Manager of Operations                   | 112,860            | 1,196           |
| Goodall, Geoff  | Director of Infrastructure Services     | 137,322            | 2,664           |
| Grueber, Gregory  | Certified Utilities Operator II         | 85,536             | 1,447           |
| Larose, Nick  | Certified Utilities Operator III        | 77,362             | 1,128           |
| Lassam, Shane   | Equipment and Compost Operator IV       | 85,076             | 220             |
| Manuel, Leonard   | Facilities Maintenance Supervisor       | 77,751             | 190             |
| McLeod, Robert  | Certified Utilities Operator II         | 85,592             | 1,308           |
| Postings, Clayton   | Director of Parks, Recreation & Culture | 130,638            | 1,544           |
| Slater, Phil  | Senior Engineer Technologist            | 80,766             | 805             |
| Smith, Donna  | Executive Liasion                       | 78,371             | 300             |
| Vaux, Ronald  | Certified Mechanic                      | 78,199             | 1,860           |
| Winter, Joanna  | Manager of Administrative Services      | 106,539            | 1,773           |
| <b>Consolidated total of other employees with remuneration and expenses of \$75,000 or less</b> |   | <b>\$3,007,304</b> | <b>\$38,269</b> |
| <b>Total: Other Employees</b>   |   | <b>\$5,181,720</b> | <b>\$89,802</b> |

**TOWN OF LADYSMITH**  
**STATEMENT OF FINANCIAL INFORMATION**  
**YEAR ENDED DECEMBER 31, 2017**  
**SCHEDULE OF SEVERANCE AGREEMENTS**

There were **no** severance agreements made between the Town of Ladysmith and its non-unionized employees during fiscal year 2017.

**TOWN OF LADYSMITH**  
**STATEMENT OF FINANCIAL INFORMATION**  
**YEAR ENDED DECEMBER 31, 2017**

**SCHEDULE OF PAYMENTS FOR GOODS AND SERVICES**

| Payee   | Total Payments |
|---|----------------|
| 1098828 BC LTD FORMERLY CANBRIGHT ENTERPRISES LTD | \$ 46,718      |
| AFD PETROLEUM LTD                                 | 108,892        |
| ANDREW SHERET LTD                                 | 28,171         |
| ASSOCIATED ENGINEERING (BC) LTD                   | 440,136        |
| AUSTIN ENGINEERING LTD                            | 29,313         |
| BC ASSESSMENT AUTHORITY                           | 72,173         |
| BC HYDRO  | 471,333        |
| BLACK PRESS GROUP LTD                             | 39,363         |
| CANCOR CUTTING AND CORING LTD                     | 50,972         |
| CATALYST PAPER                                    | 40,222         |
| CLEARTECH INDUSTRIES INC                          | 68,047         |
| COAST AUTOMATION                                  | 123,359        |
| COAST ENVIRONMENTAL LTD                           | 91,714         |
| COASTAL ANIMAL CONTROL SERVICES OF BC LTD.        | 37,485         |
| COMMUNICATION CONNECTION BC INC (THE)             | 28,815         |
| CORIX WATER PRODUCTS LP                           | 27,286         |
| COWICHAN VALLEY REGIONAL DISTRICT                 | 2,133,172      |
| COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT        | 789,416        |
| DIALOG BC ARCHITECTURE ENGINEERING INTERIOR       | 158,914        |
| DISTRICT OF NORTH COWICHAN                        | 92,533         |
| F&M INSTALLATIONS LTD                             | 68,397         |
| FINNING (CANADA)                                  | 68,277         |
| FORTISBC - NATURAL GAS                            | 32,585         |
| FOWLER ELECTRIC LTD                               | 100,000        |
| G & G ROOFING LTD                                 | 211,679        |
| GRAPHIC OFFICE INTERIORS LTD                      | 28,709         |
| HEROLD ENGINEERING LTD                            | 35,330         |
| HOULE ELECTRIC LTD                                | 99,252         |
| HUB CITY PAVING LTD                               | 162,992        |
| ICBC  | 41,145         |
| ISLAND KEY COMPUTER LTD                           | 36,611         |
| IVORY TOWER INVESTMENTS LTD                       | 26,830         |
| J LEALAND CONTRACTING                             | 29,647         |
| JLC BUILDERS LTD                                  | 193,830        |
| KOERS & ASSOCIATES ENGINEERING LTD                | 42,998         |
| LADYSMITH & DISTRICT HISTORICAL SOCIETY           | 28,500         |
| LADYSMITH CHAMBER OF COMMERCE                     | 45,612         |
| LADYSMITH RESOURCES CENTRE ASSOCIATION            | 42,000         |
| LAFARGE ASPHALT TEHCNOLOGIES A DIV OF             | 32,550         |
| MAC'S HEATING LTD                                 | 31,340         |
| MAXXAM ANALYTICS                                  | 55,618         |
| MAYCO MIX LTD                                     | 112,787        |
| MEDICAL SERVICES PLAN                             | 85,397         |
| MID VALLEY MANUFACTURING INC                      | 1,064,825      |

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

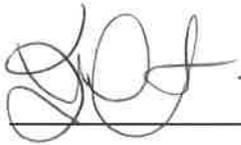
**YEAR ENDED DECEMBER 31, 2017**

**SCHEDULE OF PAYMENTS FOR GOODS AND SERVICES**

|   |    |                   |
|---|----|-------------------|
| MID-ISLAND FENCE PRODUCTS LTD                 | \$ | 30,844            |
| MINISTER OF FINANCE                           |    | 59,504            |
| MINISTRY OF SMALL BUSINESS AND REVENUE        |    | 302,846           |
| MNP LLP                                       |    | 31,146            |
| MUNICIPAL FINANCE AUTHORITY                   |    | 1,119,688         |
| MUNICIPAL INSURANCE ASSOCIATION OF BC         |    | 86,435            |
| MUNICIPAL PENSION FUND                        |    | 463,018           |
| OPUS INTERNATIONAL CONSULTANTS (CANADA) LTD   |    | 238,129           |
| PACIFIC BLUE CROSS                            |    | 190,029           |
| PROGRESSIVE WASTE SOLUTIONS CANADA INC        |    | 200,700           |
| RECEIVER GENERAL                              |    | 273,561           |
| RECEIVER GENERAL FOR CANADA                   |    | 1,058,053         |
| SOFTCHOICE CORP                               |    | 68,832            |
| STEWART MCDANNOLD STUART-IN TRUST             |    | 837,117           |
| STEWART MCDANNOLD STUART                      |    | 66,827            |
| SUMMIT MECHANICAL SYSTEMS LTD                 |    | 49,585            |
| THINK COMMUNICATIONS INC                      |    | 32,667            |
| TRANSFORM COMPOST SYSTEMS LTD                 |    | 39,343            |
| TRITECH GROUP LTD                             |    | 374,113           |
| UNITED RENTALS OF CANADA INC                  |    | 27,186            |
| URBAN SYSTEMS LTD.                            |    | 34,207            |
| US BANK                                       |    | 258,267           |
| VADIM COMPUTER MANAGEMENT GROUP LTD           |    | 37,726            |
| VAN-ISLE AGGREGATES LTD                       |    | 103,560           |
| VANCOUVER ISLAND REGIONAL LIBRARY             |    | 365,104           |
| VANCOUVER ISLAND TREE SERVICE LTD             |    | 66,175            |
| VANDEBOKEN ENTERPRISES LTD                    |    | 74,012            |
| WAJAX INDUSTRIAL COMPONENTS                   |    | 25,258            |
| WASTE CONNECTIONS OF CANADA INC               |    | 292,965           |
| WATERHOUSE ENVIRONMENTAL SERVICES CORPORATION |    | 26,911            |
| WESTERN OIL SERVICES LTD                      |    | 116,970           |
| WORKSAFE BC                                   |    | 133,674           |
| WORLD WATER WORKS INC                         |    | 169,071           |
| WSP CANADA INC                                |    | 64,293            |
| ZENN DEVELOPMENTS LTD                         |    | 155,582           |
|   |    | <hr/>             |
|   |    | 15,028,342        |
|   |    | <hr/>             |
| GRANTS over \$25,000:                         |    |                   |
| LADYSMITH & DISTRICT HISTORICAL SOCIETY       |    | 28,500            |
| LADYSMITH RESOURCES CENTRE ASSOCIATION        |    | 40,500            |
|   |    | <hr/>             |
| Total payments over \$25,000                  |    | 15,097,342        |
| Payments under \$25,000                       |    | 1,945,465         |
| Grants under \$25,000                         |    | 48,900            |
|   |    | <hr/>             |
| Total payments made                           | \$ | <u>17,091,707</u> |

**TOWN OF LADYSMITH**  
**STATEMENT OF FINANCIAL INFORMATION**  
**YEAR ENDED DECEMBER 31, 2017**  
**STATEMENT OF FINANCIAL INFORMATION APPROVAL**

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



Erin Anderson  
Director of Financial Services  
June 11, 2018



Aaron Stone  
Mayor  
June 11, 2018

**TOWN OF LADYSMITH**  
**STATEMENT OF FINANCIAL INFORMATION**  
**YEAR ENDED DECEMBER 31, 2017**  
**Council Minutes Approving Financial Information**

The following council resolution was passed at a Regular Council Meeting on Monday, June 11, 2018:

**CS 2018-189 Statement of Financial Information for the Year Ended December 31, 2017**

*Moved and seconded:*

That Council approve the Statement of Financial Information for the Town of Ladysmith for the fiscal year ended December 31, 2017.

*Motion carried.*