



TOWN OF LADYSMITH

2018

**AUDITED FINANCIAL
STATEMENTS**





LADYSMITH

INDEX TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

Management Report

Independent Auditor's Report

Consolidated Financial Statements

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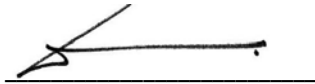
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The accompanying Consolidated Financial Statements are the responsibility of the management of the Town of Ladysmith and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting standards.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

MNP LLP as the Municipality's appointed external auditors, have audited the Consolidated Financial Statements. The Auditor's report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian Auditing Standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of the Municipality in accordance with Canadian Public Sector Accounting Standards.



Guillermo Ferrero
Chief Administration Officer

Independent Auditor's Report

To the Mayor and Council of the Town of Ladysmith:

Opinion

We have audited the consolidated financial statements of the Town of Ladysmith (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nanaimo, British Columbia

April 15, 2019

MNP LLP

Chartered Professional Accountants

**TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

| | 2018 | 2017 <small>(restated)</small> |
|---|-----------------------|--|
| Financial Assets | | |
| Cash and short-term deposits (Note 2) | \$ 22,025,702 | \$ 20,440,472 |
| Accounts receivable (Note 4) | 4,435,613 | 2,884,198 |
| | 26,461,315 | 23,324,670 |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 3,372,143 | 2,387,416 |
| Post-employment benefits (Note 6) | 232,400 | 234,100 |
| Deferred revenue (Note 7) | 563,199 | 537,531 |
| Refundable deposits and other (Note 8) | 878,031 | 560,987 |
| Restricted reserves (Note 9) | 442,190 | 434,856 |
| Development cost charge reserve (Note 10) | 3,163,671 | 2,672,844 |
| Federal gas tax reserve (Note 11) | 1,506,769 | 1,481,511 |
| Equipment Financing (Note 12) | 986,306 | 359,437 |
| Short-term financing (Note 13) | 952,700 | - |
| Debenture debt (Note 14 & Schedule I) | 11,598,532 | 12,229,401 |
| | 23,695,941 | 20,898,083 |
| Net Financial Assets | 2,765,374 | 2,426,587 |
| Non-Financial Assets | | |
| Tangible Capital Assets (Schedule VIII) | 97,692,141 | 93,874,808 |
| Prepays | 89,387 | 71,453 |
| Inventory | 74,232 | 66,390 |
| | 97,855,760 | 94,012,651 |
| Accumulated Surplus (Note 19) | \$ 100,621,134 | \$ 96,439,238 |

Commitments and Contingencies (Note 15)



Director of Financial Services

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2018

| | <u>2018</u> | <u>Budget 2018</u> (Note 20) | <u>2017</u> (restated) |
|---|-----------------------|-------------------------------------|---------------------------|
| Revenue | | | |
| Taxes (Schedule II) | \$ 10,691,844 | \$ 10,684,515 | \$ 10,146,910 |
| Sale of Services (Schedule III) | 3,731,971 | 3,624,582 | 3,344,924 |
| Investment Income | 263,939 | 138,000 | 183,209 |
| Licence, Permits, Rentals & Penalties (Schedule IV) | 965,424 | 736,827 | 849,864 |
| Grants (Schedule VI) | 3,658,040 | 10,756,080 | 1,917,069 |
| Donations and contributed tangible capital assets | 348,214 | 151,635 | 335,638 |
| Loss on foreign exchange | (51,120) | - | (42,008) |
| Gain (loss) on disposal of tangible capital assets | (1,205) | - | 1,641,274 |
| Development fees | 43,000 | 323,000 | - |
| Gas tax funds utilized (Note 11) | 398,071 | 1,142,972 | 230,053 |
| | <u>20,048,178</u> | <u>27,557,611</u> | <u>18,606,933</u> |
| Expenses | | | |
| General government services | 2,698,993 | 3,305,415 | 2,329,962 |
| Protective services | 1,742,911 | 1,974,995 | 1,802,436 |
| Transportation services | 2,338,580 | 2,355,251 | 2,145,021 |
| Garbage services | 511,805 | 508,761 | 488,715 |
| Cemetery services | 28,609 | 30,619 | 36,876 |
| Development services | 578,671 | 738,470 | 771,490 |
| Recreation and cultural services | 2,887,980 | 2,898,874 | 2,743,912 |
| Parks operation services | 930,872 | 976,642 | 912,806 |
| Sewer | 2,787,753 | 3,652,843 | 2,890,663 |
| Water | 1,360,108 | 1,963,164 | 1,289,564 |
| | <u>15,866,282</u> | <u>18,405,034</u> | <u>15,411,445</u> |
| Annual Surplus | 4,181,896 | 9,152,577 | 3,195,488 |
| Accumulated Surplus, beginning of year | <u>96,439,238</u> | <u>96,439,238</u> | <u>93,243,750</u> |
| Accumulated Surplus - end of year | <u>\$ 100,621,134</u> | <u>\$ 105,591,815</u> | <u>\$ 96,439,238</u> |

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2018

| | 2018 | 2017 |
|--|---------------|---------------|
| | | (restated) |
| Operating Transactions | | |
| Annual Surplus | \$ 4,181,896 | \$ 3,195,488 |
| Less non-cash items included in surplus: | | |
| Amortization | 3,336,032 | 3,256,082 |
| Loss (gain) on disposal of tangible capital assets | 1,205 | (1,641,274) |
| Actuarial adjustments on debenture debt | (40,824) | (35,790) |
| Contributed tangible capital assets | (269,830) | (319,473) |
| | 7,208,479 | 4,455,033 |
| Accounts receivable | (1,551,415) | 109,694 |
| Prepaid expenses | (17,934) | 40,900 |
| Inventory | (7,842) | 5,369 |
| Accounts payable and accrued liabilities | 984,727 | (91,000) |
| Post employment benefits | (1,700) | (16,200) |
| Deferred revenues | 25,668 | 51,474 |
| Refundable deposits and other | 317,044 | 105,840 |
| Restricted reserves | 7,334 | 9,546 |
| Development cost charge reserve | 490,827 | 701,441 |
| Gas tax reserve | 25,258 | 171,237 |
| Cash provided by operating transactions | 7,480,446 | 5,543,334 |
| Capital Transactions | | |
| Proceeds on sale of tangible capital assets | - | 2,273,000 |
| Cash used to acquire tangible capital assets | (6,884,740) | (5,227,872) |
| | (6,884,740) | (2,954,872) |
| Repayment of long-term debt and equipment financing | | |
| Proceeds of long-term financing | 952,700 | - |
| Proceeds of equipment loans | 626,869 | - |
| Repayment of debt | (590,045) | (1,319,178) |
| | 989,524 | (1,319,178) |
| Net (Decrease) Increase in cash from financing | | |
| Increase in Cash and Short-Term Deposits | 1,585,230 | 1,269,284 |
| Cash and Short-Term Deposits - Beginning of Year | 20,440,472 | 19,171,188 |
| | \$ 22,025,702 | \$ 20,440,472 |

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2018

| | 2018 | Budget 2018 | 2017 |
|--|---------------------|------------------------|---------------------|
| | | (Note 20) | (restated) |
| Annual Surplus | \$ 4,181,896 | \$ 9,152,577 | \$ 3,195,488 |
| Acquisition of tangible capital assets | (7,154,570) | (21,467,448) | (5,547,345) |
| Amortization of tangible capital assets | 3,336,032 | 3,211,065 | 3,256,082 |
| Loss (gain) on sale of tangible capital assets | 1,205 | - | (1,641,274) |
| Proceeds from sale of tangible capital assets | - | - | 2,273,000 |
| Decrease (Increase) in inventories | (7,842) | - | 5,369 |
| Decrease (Increase) in prepaids | (17,934) | - | 40,900 |
| Change in Net Financial Assets | <u>338,787</u> | <u>(9,103,806)</u> | <u>1,582,220</u> |
| Net Financial Assets, beginning of year | <u>2,426,587</u> | | <u>844,367</u> |
| Net Financial Assets, end of year | <u>\$ 2,765,374</u> | | <u>\$ 2,426,587</u> |

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

The Town of Ladysmith (the Town) was incorporated in 1904 under the provisions of the British Columbia Municipal Act. Its principal activities are the provision of local government services in the Town, as governed by the *Community Charter* and the *Local Government Act*.

Note 1 - Significant Accounting Policies

The notes to the consolidated financial statements are an integral part of these financial statements. They provide detailed information and explain the significant accounting and reporting policies and principles that form the basis of these statements. They also provide relevant supplementary information and explanations which cannot be expressed in the consolidated financial statements.

(a) Basis of Presentation

It is the Town's policy to follow Canadian public sector accounting standards for local governments and to apply such principles consistently. The financial resources and operations of the Town have been consolidated for financial statement purposes and include the accounts of all of the funds of the Town.

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

The consolidated financial statements reflect the assets, liabilities, revenues and expenses and changes in fund balances and financial position of the Town. These consolidated financial statements consolidate the following operations:

| | |
|----------------------|----------------------|
| General Revenue Fund | General Capital Fund |
| Water Revenue Fund | Water Capital Fund |
| Sewer Revenue Fund | Sewer Capital Fund |
| Reserve Fund | |

(b) Reporting Entity

The consolidated financial statements include the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity is comprised of all the funds, agencies, local boards, and committees of the Council which are controlled by the Town. Control is defined as the power to govern the financial and reporting policies of another organization with the

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Significant Accounting Policies - (b) Reporting Entity (continued)

expected benefits or risk of loss to the Town. The controlled organizations are consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the Town. Interfund and intercompany balances and transactions have been eliminated. The controlled organizations include DL 2016 Holdings Corporation, a wholly owned subsidiary of the Town.

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Donated assets are recorded at their estimated fair value upon acquisition. Certain tangible capital assets for which historical cost information is not available have been recorded at current fair market values discounted by a relevant inflation factor. Certain assets are disclosed at a nominal value as the determination of current fair market value was not available. The Town does not capitalize interest charges as part of the cost of its tangible capital assets.

Tangible capital assets are amortized over their estimated useful life, 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

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Significant Accounting Policies – (c) Tangible Capital Assets (continued)

because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands and other natural resources are not recognized as tangible capital assets.

(d) Cash and Short-Term Deposits

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

(e) Restricted Reserves and Deferred Revenues

Receipts which are restricted by the legislation of senior governments or by agreement with external parties are deferred and reported as restricted reserves. When qualifying expenses are incurred, restricted reserves are brought into revenue at equal amounts, in accordance with Revenue Recognition policy 1(i). These revenues are comprised of the amounts shown in Note 9, 10, and 11.

Revenues received from non-government sources in advance of expenses which will be incurred in a later period are deferred until the associated purchase or expense is incurred.

(f) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Significant areas requiring the use of management estimates relate to the collectability of accounts receivable, accrued liabilities, post-employment benefits, provisions for contingencies and amortization rates, useful lives and salvage values for determining tangible capital asset values. Actual results could differ from those estimates. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the Town is responsible for. Adjustments, if any, will be reflected in operations in the period of settlement.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Significant Accounting Policies (continued)

(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.

Service Agreements

| | 2018 | 2017 |
|--|-------------|-------------|
| Ladysmith & District Historical Society | \$ 23,970 | \$ 23,500 |
| Ladysmith Resources Centre Association | 41,310 | 40,500 |
| Ladysmith Chamber of Commerce & Visitor Centre | 43,400 | 43,400 |
| | \$ 108,680 | \$ 107,400 |

Rental Payments

| | 2018 | 2017 |
|--------------------------------------|-------------|-------------|
| 132c Roberts Street - office space | \$ 27,796 | \$ 25,563 |
| 17 & 25 Roberts Street - parking lot | 8,100 | 7,500 |
| | \$ 35,896 | \$ 33,063 |

(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 (loss) on foreign exchange has been recognized in the Statement of Operations using the exchange rate in effect on December 31, 2018.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Significant Accounting Policies - (i) Revenue Recognition (continued)

Other revenues are recognized when earned in accordance with the terms of the agreement, when the amounts are measurable and when collection is reasonably assured.

The Town recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. Grants and donations are recognized in the financial statements in the period which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability (deferred revenue). In such circumstances, the Town recognizes the revenue as the liability is settled.

Deferred revenue represents user charges and other fees which have been collected, for which the related services have yet to be provided. These amounts will be recognized as revenue in the fiscal year the services are provided.

(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, 2018.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Significant Accounting Policies - (l) Liability for contaminated sites (continued)

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.

(m) Recent Accounting Pronouncements

PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions

Effective January 1, 2018, the Town adopted the recommendations relating to PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

There was no material impact on the financial statements of adopting the new Sections.

PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

Effective January 1, 2018, the Town adopted the recommendations relating to PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 Assets provides additional guidance to clarify the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets establishes disclosure standards on contingent assets.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Significant Accounting Policies - (m) Recent Accounting Pronouncements (continued)

PS 3380 Contractual Rights 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 Section 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.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the financial statements of adopting the new Sections.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2 - Cash and Short-Term Deposits

Cash and short-term deposits were comprised as follows:

| | <u>2018</u> | <u>2017</u> |
|---------------------|----------------------|----------------------|
| Cash | \$ 21,232,595 | \$ 19,660,237 |
| Short-term deposits | 793,107 | 780,235 |
| | <u>\$ 22,025,702</u> | <u>\$ 20,440,472</u> |

Included in Cash is a deposit of \$245,635 (the equivalent of \$184,265 US Funds based on the exchange rate at the Ladysmith and District Credit Union on December 31, 2018). Short-term deposits consist of short-term investments in the Municipal Finance Authority of B.C. money market fund. The market value is equal to the carrying value.

Included in cash and short-term deposits are the following restricted amounts that are expended in accordance with the terms of the restricted reserves.

| | <u>2018</u> | <u>2017</u> |
|----------------------------------|---------------------|---------------------|
| Restricted reserves - other | \$ 442,190 | \$ 434,856 |
| Federal gas tax reserve | 1,506,769 | 1,481,511 |
| Development cost charges reserve | 3,163,671 | 2,672,844 |
| Total restricted cash | <u>\$ 5,112,630</u> | <u>\$ 4,589,211</u> |

Note 3 - Financial Instruments

The Town as part of its operations carries a number of financial instruments. It is management's opinion the Town is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. The Town is exposed to currency risk on its US dollar bank account. Unless otherwise noted in Note 2, the fair value of these financial instruments approximates their carrying values.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 4 - Accounts Receivable

| | <u>2018</u> | <u>2017</u> |
|-----------------------|---------------------|---------------------|
| Property taxes | \$ 911,481 | \$ 1,070,765 |
| Other government | 2,705,974 | 1,005,578 |
| User fees and other | 808,059 | 788,747 |
| Developer receivables | 5,139 | 16,253 |
| Employee receivables | 4,960 | 2,855 |
| | <u>\$ 4,435,613</u> | <u>\$ 2,884,198</u> |

Note 5 - Accounts Payable and Accrued Liabilities

| | <u>2018</u> | <u>2017</u> |
|----------------------|---------------------|---------------------|
| General | \$ 2,583,733 | \$ 1,756,044 |
| Other governments | 11,362 | (93) |
| Salaries and wages | 261,128 | 230,085 |
| Contractor holdbacks | 438,108 | 318,526 |
| Accrued interest | 77,813 | 82,854 |
| | <u>\$ 3,372,143</u> | <u>\$ 2,387,416</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, 2018

Note 6 - Post-Employment Benefits

The Town provides compensated absences to its employees to a maximum of 120 days. The Town also allows employees to defer unused vacation without any maximum. Any deferred vacation time remaining at retirement or termination is paid out at that time. The amount recorded for these benefits is based on an actuarial evaluation done by an independent firm using a projected benefit actuarial valuation method prorated on services. The last actuarial valuation was calculated at August 31, 2014 and has been extrapolated to December 31, 2018. The change in the liability in the financial statements in respect of obligations under the plan amounts to a reduction of \$1,700. (-\$16,200 - 2017).

The accrued post-employment benefits are as follows:

| | <u>2018</u> | <u>2017</u> |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 234,100 | \$ 250,300 |
| Current service costs | 29,000 | 31,000 |
| Benefits paid | (26,900) | (23,600) |
| Actuarial gain | (3,800) | (19,900) |
| Past service credit | - | (3,700) |
| Balance, end of year | <u>\$ 232,400</u> | <u>\$ 234,100</u> |

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

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Discount Rate | 3.30% | 2.90% |
| Expected Inflation Rate and Wage & Salary Increases | 2.50% | 2.50% |

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 7 - Deferred Revenue

| | <u>2018</u> | <u>2017</u> |
|--------------------------|-------------------|-------------------|
| Licence fees & charges | \$ 17,832 | \$ 16,916 |
| Rental payments | 12,441 | 16,247 |
| Property tax prepayments | 417,460 | 380,299 |
| Subdivisions prepayments | 71,515 | 71,619 |
| Recreation prepayments | 27,512 | 36,971 |
| Utilities prepayments | 12,357 | 6,926 |
| Other | 4,082 | 8,552 |
| | <u>\$ 563,199</u> | <u>\$ 537,531</u> |

Note 8 - Refundable Deposits and Other

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|-------------------|-------------------|
| Developer performance deposits | \$ 475,996 | \$ 306,976 |
| Damage deposits | 233,450 | 213,450 |
| Other | 168,585 | 40,561 |
| | <u>\$ 878,031</u> | <u>\$ 560,987</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, 2018

Note 9 - Restricted Reserves

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

| Description | Balance Dec. 31, 2017 | Interest | Contributions | Expenditures | Balance Dec. 31, 2018 |
|---------------------------|--------------------------|-----------------|-----------------|-------------------|--------------------------|
| Parking | \$ 74,103 | \$ 876 | \$ - | \$ - | \$ 74,979 |
| Green Streets | 1,463 | 17 | - | - | 1,480 |
| Amphitheatre | 18,333 | 222 | 700 | - | 19,255 |
| B&G - Capital | 38,426 | 439 | 5,064 | - | 43,930 |
| LRCA/Seniors - Capital | 302,531 | 532 | 2,480 | (2,996) | 302,546 |
| TOTAL | \$ 434,856 | \$ 2,086 | \$ 8,244 | \$ (2,996) | \$ 442,190 |

Note 10 - Development Cost Charges Reserve

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

| Description | Balance Dec. 31, 2017 | Interest | Contributions | Expenditures | Balance Dec. 31, 2018 |
|--------------|--------------------------|------------------|-------------------|--------------------|--------------------------|
| DCC - Water | \$ 560,733 | \$ 7,607 | \$ 125,423 | \$ - | \$ 693,763 |
| DCC - Parks | 650,399 | 8,218 | 75,424 | (15,000) | 719,041 |
| DCC - Roads | 614,402 | 8,479 | 152,953 | - | 775,834 |
| DCC - Sewer | 477,877 | 6,398 | 148,100 | (43,000) | 589,375 |
| DCC - Storm | 369,433 | 4,518 | 11,708 | - | 385,658 |
| TOTAL | \$ 2,672,844 | \$ 35,219 | \$ 513,608 | \$ (58,000) | \$ 3,163,671 |

Developers may be entitled to DCC credits in certain circumstances. The Town provided \$15,000 in DCC-Parks credits in 2018 (\$0 - 2017).

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 11 - Federal Gas Tax Reserve

Gas Tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Town and the Union of British Columbia Municipalities. Gas Tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements. The funds are recorded on the financial statements as a restricted reserve.

| | 2018 | 2017 |
|---------------------------------------|--------------|--------------|
| Opening balance of unspent funds | \$ 1,481,511 | \$ 1,310,275 |
| Add: Amounts received during the year | 405,121 | 391,288 |
| Interest earned | 18,208 | 10,001 |
| Less: Gas tax funds utilized | (398,071) | (230,053) |
| | \$ 1,506,769 | \$ 1,481,511 |

Note 12 - Obligations under Equipment Financing

The total equipment financing outstanding with the Municipal Finance Authority of British Columbia as at December 31, 2018 was \$986,306 (\$359,437 - 2017).

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, 2018, which is included in equipment financing, is \$16,505 (\$25,339 - 2017). 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

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 12 - Obligations under Equipment Financing (continued)

the amount of \$3,291 including interest at a daily varying rate. The balance of the loan at December 31, 2018, which is included in equipment financing, is \$287,634 (\$320,191 - 2017). 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 for \$19,509. 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, 2018, which is included in equipment financing, is \$4,222 (\$13,907 - 2017). Loan to expire May 2019.
- 4) A five year equipment loan agreement with the Municipal Finance Authority of British Columbia which commenced September 2018 for the purchase of a 2018 Spartan fire truck. The remaining obligation will be repaid with monthly loan payments in the amount of \$2,835 including interest at a daily varying rate. The balance of the loan at December 31, 2018, which is included in equipment financing, is \$677,945. Loan to expire September 2023.

The future minimum loan payments under the equipment loan obligation are as follows:

| | |
|------|-----------|
| 2019 | \$ 60,197 |
| 2020 | 55,813 |
| 2021 | 49,718 |
| 2022 | 205,931 |
| 2023 | 614,648 |

Interest in the consolidated statement of operations is calculated as \$12,208 (\$4,179 - 2017).

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 13 – Short-term Financing

The total short-term financing outstanding with the Municipal Finance Authority of British Columbia as at December 31, 2018 was \$952,700 (\$0 – 2017). The Town entered into a short-term financing agreement which commenced September 2018 to borrow up to \$1,000,000 to purchase 1260 Churchill Place. As of December 31, 2018 \$952,700 in short-term financing was executed. Interest is charged at a daily varying rate. The full amount borrowed must be repaid by 2023.

Short-term interest in the consolidated statement of operations is calculated at \$5,912.

Note 14 - Debenture Debt

The Town of Ladysmith secures its long-term borrowing through the Municipal Finance Authority of BC (MFA). As a condition of these borrowing, a portion of the debenture proceeds is retained by the MFA as a debt reserve fund. As at December 31, 2018, the cash balance of the Town's debt reserve funds was \$ 158,762 (\$155,381 – 2017). Debt reserve funds are not recorded elsewhere in the financial statements.

The total long-term debt issued and outstanding with the MFA as at December 31, 2018 was \$11,598,532 (\$12,229,401 as at December 31, 2017). An additional \$6 million dollars in long-term debt to construct a water filtration plant was approved by the electors in 2018 but not executed.

The following principal payments are payable over the next five years:

| | General | | Water | | Sewer | | Total |
|------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|------------|
| | Principal Repayment | Actuarial Sinking Fund Earnings | Principal Repayment | Actuarial Sinking Fund Earnings | Principal Repayment | Actuarial Sinking Fund Earnings | Net |
| 2019 | \$ 66,033 | \$ 39,688 | \$ 24,012 | \$ 6,371 | \$ 500,000 | - | \$ 636,104 |
| 2020 | 66,033 | 43,917 | 24,012 | 7,586 | 500,000 | - | 641,548 |
| 2021 | 66,033 | 48,315 | 24,012 | 8,850 | 500,000 | - | 647,210 |
| 2022 | 66,033 | 52,889 | 24,012 | 10,165 | 500,000 | - | 653,098 |
| 2023 | 66,033 | 57,645 | 24,012 | 11,532 | 500,000 | - | 659,222 |
| Thereafter | 528,263 | 656,921 | 336,167 | 339,999 | 6,500,000 | - | 8,361,351 |

Debt interest, net of actuarial adjustment in the consolidated statement of operations, is calculated at \$223,759 (\$242,153 – 2017).

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 15 - Commitments and Contingencies

(a) Contingent Liabilities

- i) The Town, as a member of the Cowichan Valley Regional District, is jointly and severally liable for operational deficits or long term debt related to functions in which it participates.
- ii) The loan agreements with the Municipal Finance Authority provide that if the Authority does not have sufficient funds to meet payments on its obligations it shall make payments from the Debt Reserve Fund which in turn is established by a similar Debt Reserve Fund in the Town and all other borrowing participants. If the Debt Reserve Fund is deficient the Authority's obligations become a liability of the regional district and may become a liability of the participating municipalities.
- iii) Various claims have been made against the Town as at December 31, 2018 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 Town and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2017, the Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

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

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 15 - Commitments and Contingencies – (b) Pension Liability (continued)

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 \$464,390 (2017 - \$463,018) for employer contributions to the Plan in fiscal 2018.

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

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

(c) Reciprocal Insurance Exchange Agreement

The Town is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by Section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange Agreement the Town is assessed a premium and specific deductible for its claims based on population. The obligation of the Town with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several, and not joint and several. The Town irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other subscriber may suffer.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 16 - Significant Taxpayers

The Town is reliant upon 10 taxpayers for approximately 13.52% (14.88% - 2017) of the total property tax revenue which includes Western Forest Products at approximately 6.78% (7.34% - 2017) of the total property tax revenue.

Note 17 - Funds Held in Trust

These funds account for assets which must be administered as directed by agreement or statute for certain beneficiaries; in particular, these funds are for the Cemetery Trust Fund. In accordance with PSAB recommendations on financial statement presentation, trust funds are not included in the Town's Financial Statements. A summary of trust fund activities by the Town is as follows:

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Assets | | |
| Cash and short term investment | <u>\$ 159,737</u> | <u>\$ 155,937</u> |
| Equity | | |
| Opening balance | \$ 155,937 | \$ 152,957 |
| Interest | 2,461 | 1,946 |
| Transfer interest to fund cemetery costs | (2,461) | (1,946) |
| Contributions | 4,130 | 2,980 |
| Refunds | <u>(330)</u> | <u>-</u> |
| Balance, end of year | <u>\$ 159,737</u> | <u>\$ 155,937</u> |

Note 18 - Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 19 - Accumulated Surplus

The Town segregates its accumulated surplus in the following categories:

| | <u>2018</u> | <u>2017</u> (restated) |
|-----------------------------------|-----------------------|---------------------------|
| Unappropriated equity | \$ 5,346,507 | \$ 4,663,968 |
| Appropriated equity (Schedule V) | 8,980,174 | 7,947,430 |
| | <u>14,326,682</u> | <u>12,611,397</u> |
| Capital Funds | | |
| General capital fund | 182,120 | 149,442 |
| Sewer capital fund | 14,942 | 7,718 |
| Water capital fund | 14,073 | 432,851 |
| | <u>211,135</u> | <u>590,011</u> |
| Reserve Funds | | |
| Reserve funds (Schedule V) | <u>1,928,713</u> | <u>1,951,856</u> |
| Equity in Tangible Capital Assets | <u>84,154,605</u> | <u>81,285,974</u> |
| Total Accumulated Surplus | <u>\$ 100,621,134</u> | <u>\$ 96,439,238</u> |

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 20 - Annual Budget

Fiscal plan amounts represent the Financial Plan Bylaw adopted by Council on May 7th, 2018.

The Financial Plan anticipated the use of surpluses accumulated in previous years to balance against current year expenses in excess of current year revenues. In addition, the Financial Plan anticipated capital expenses rather than amortization expense.

The following shows how these amounts were combined:

| | |
|--|---------------------|
| Financial Plan Balance for the year | \$ - |
| Add back: | |
| Amortization | (3,211,065) |
| Proceeds from new debt | (5,016,472) |
| Transfers to/from own funds | (4,922,571) |
| Less: | |
| Principal payments on debt | 835,237 |
| Capital expenditures per budget | 21,918,250 |
| Capital Expenditures expensed according to Tangible Capital Asset Policy | <u>(450,802)</u> |
| Adjusted Annual Surplus | <u>\$ 9,152,577</u> |

Note 21 - DL 2016 Holdings Corporation (“DL 2016”)

The Town of Ladysmith has an investment in DL 2016 Holdings Corporation, a wholly owned subsidiary company of the Town.

The Town of Ladysmith leases portions of its waterfront from the Province of British Columbia parts of which are subleased to DL 2016 for use as a marina.

DL 2017 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.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 22 - Segmented Information

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

General Government Services

The City Manager is the liaison between Council and the Town departments and staff. The Corporate Services Department supports the legislated activities of Council, and provides information to citizens with respect to Council/Committee processes, reporting procedures and decisions, and Town activities. Also included in General Government Services is the Finance Department, Information Technology, Human Resources, and new for 2018, Waterfront Area Plan Implementation.

Protective Services

Protection is comprised of fire protection, policing, and bylaw enforcement:

- Bylaw enforcement administers, monitors, and seeks compliance with the bylaws enacted by the Mayor and Council to regulate the conduct of affairs in the Town of Ladysmith.
- Fire protection is provided by the fire department, whose volunteer members receive compensation for each callout in which they take part.
- Policing is provided under contract with the RCMP operating from a detachment building located in and owned by the Town of Ladysmith.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 22 - Segmented Information (continued)

Transportation, Solid Waste and Cemetery

The Transportation (Public Works) Department is responsible for the infrastructure of the Town. Public works provides and maintains Town's roads, sidewalks, street lights, signage and line markings, storm drainage and hydrants.

Solid Waste (Public Works) is responsible for the garbage collection, kitchen organics and recycling programs operating in the Town of Ladysmith. Solid waste collection is performed by a contractor.

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

Development

The Development Services Department provides short-term and long-term land use planning services. Long-term Planning includes work with the community on reviewing the Town's Official Community Plan, developing new Neighbourhood Plans, the Trail Plan and the review of relevant bylaws. Short term Planning includes the processing of development applications.

The Town of Ladysmith's Development Services and Public Works Departments work together to regulate all construction within the Town. This is achieved through the use of the Town of Ladysmith's Building and Plumbing Bylaw, the British Columbia Building Code, the British Columbia Fire Code and other related bylaws and enactments with the Town of Ladysmith.

Recreation and Culture

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

Parks

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

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 22 - Segmented Information (continued)

Water

Water includes all of the operating activities related to the treatment and distribution of water throughout the Town as well as ensuring clean and safe water to the Town, supplied through underground pipes and reservoirs,

Sewer

Sewer includes all of the operating activities related to the collection and treatment of waste water (sewage) and bio-solids composting throughout the Town as well as maintaining a separate system of underground pipes to collect sewer or waste water for proper treatment prior to discharging it.

Note 23 - Subsequent Events

The Town began the expropriation of Lot 5, District Lots 24 & 56 Oyster District, Plan 45800 for the purposes of municipal parks open spaces, trails and services for the appraised amount of \$292,000 with funding from the Real Property Reserve.

TOWN OF LADYSMITH
SCHEDULE OF DEBENTURE DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE I

| | <u>Original Amount</u> | <u>Balance Dec 31, 2017</u> | <u>Principal Payments</u> | <u>Balance Dec 31, 2018</u> | <u>Interest</u> | <u>Actuarial Adjustment</u> | <u>Interest Rate</u> |
|---|----------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------|---------------------------------|--------------------------|
| <u>General Capital Fund</u> | | | | | | | |
| RCMP Building Issue #97 Term 2006-2031 | \$ 2,750,000 | \$ 1,859,457 | \$ 101,655 | \$ 1,757,803 | \$ 48,125 | \$ (35,622) | 1.75% |
| <u>Water Capital Fund</u> | | | | | | | |
| Water Improvements Issue #118 Term 2012-2037 | 1,000,000 | 869,943 | 29,214 | 840,729 | 34,000 | (5,202) | 3.40% |
| <u>Sewer Capital Fund</u> | | | | | | | |
| Sewer Treatment Plant Issue #138 Term 2016-2036 | 10,000,000 | 9,500,000 | 500,000 | 9,000,000 | 182,458 | - | 1.88% |
| | <u>\$ 13,750,000</u> | <u>\$ 12,229,401</u> | <u>\$ 630,869</u> | <u>\$ 11,598,532</u> | <u>\$ 264,583</u> | <u>\$ (40,824)</u> | |

TOWN OF LADYSMITH
SCHEDULE OF TAX REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE II

| | <u>Actuals 2018</u> | <u>Budget 2018</u> | <u>Actuals 2017</u> |
|---|-------------------------|------------------------|-------------------------|
| General Taxes | | | |
| General municipal purposes | \$ 7,953,731 | \$ 7,961,111 | \$ 7,721,249 |
| Grants in lieu and 1% utility tax | 167,917 | 165,877 | 165,294 |
| Water and sewer parcel tax | 2,570,196 | 2,557,527 | 2,260,367 |
| | <u>10,691,844</u> | <u>10,684,515</u> | <u>10,146,910</u> |
| Collections for other governments: | | | |
| School district | 2,999,577 | - | 2,880,030 |
| Regional hospital district | 891,070 | - | 788,355 |
| Regional district | 1,332,669 | - | 1,237,926 |
| BCAA and MFA | 77,486 | - | 72,339 |
| Library | 386,677 | 386,844 | 364,616 |
| | <u>5,687,479</u> | <u>386,844</u> | <u>5,343,266</u> |
| Less: | | | |
| Transmission of taxes levied for other agencies: | | | |
| School district | 2,999,577 | - | 2,880,030 |
| Regional hospital district | 891,070 | - | 788,355 |
| Regional district | 1,332,669 | - | 1,237,926 |
| BCAA and MFA | 77,486 | - | 72,339 |
| Library | 386,677 | 386,844 | 364,616 |
| | <u>5,687,479</u> | <u>386,844</u> | <u>5,343,266</u> |
| Net Taxation | <u>\$ 10,691,844</u> | <u>\$ 10,684,515</u> | <u>\$ 10,146,910</u> |

TOWN OF LADYSMITH
SALES OF SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE III

| | <u>Actuals 2018</u> | <u>Budget 2018</u> | <u>Actuals 2017</u> |
|---------------------------|----------------------------|----------------------------|----------------------------|
| Administration recoveries | \$ 48,504 | \$ 30,800 | \$ 34,699 |
| Cemetery services | 32,250 | 30,500 | 23,615 |
| Fire service agreements | 82,152 | 73,508 | 73,522 |
| Public Works recoveries | 41,481 | - | 1,290 |
| Recreation services | 582,075 | 563,705 | 533,061 |
| Sewer utility fees | 1,296,801 | 1,264,505 | 1,087,316 |
| Solid waste fees | 642,413 | 637,936 | 642,186 |
| Water utility fees | 1,006,296 | 1,023,628 | 949,234 |
| | <u><u>\$ 3,731,971</u></u> | <u><u>\$ 3,624,582</u></u> | <u><u>\$ 3,344,924</u></u> |

TOWN OF LADYSMITH
LICENSES, PERMITS, RENTALS & PENALTIES
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE IV

| | <u>Actuals 2018</u> | <u>Budget 2018</u> | <u>Actuals 2017</u> |
|---------------------------|--------------------------|--------------------------|--------------------------|
| Facility Rentals & Leases | \$ 378,360 | \$ 283,150 | \$ 337,757 |
| Fines | 3,620 | 5,600 | 4,855 |
| Licences | 90,029 | 89,900 | 88,641 |
| Penalties and interest | 148,572 | 144,113 | 146,823 |
| Permits, Licences & Fees | <u>344,843</u> | <u>214,064</u> | <u>271,787</u> |
| | <u><u>\$ 965,424</u></u> | <u><u>\$ 736,827</u></u> | <u><u>\$ 849,864</u></u> |

**TOWN OF LADYSMITH
CONTINUITY SCHEDULE OF RESERVES & APPROPRIATED EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018**

SCHEDULE V

| | Balance Dec. 31, 2017 | Interest Allocated | Contributions | Funding | Balance Dec. 31, 2018 |
|---|--------------------------|-----------------------|---------------------|---------------------|--------------------------|
| RESERVES | | | | | |
| Tax Sale | \$ 26,244 | \$ 310 | \$ - | \$ - | \$ 26,555 |
| Perpetual Safety Fund | 13,059 | 154 | - | - | 13,214 |
| Sale Real Property | 1,537,590 | 17,987 | - | 118,621 | 1,436,956 |
| Municipal Office Building | 295,000 | - | 60,000 | - | 355,000 |
| Amenity Funds | 79,962 | 1,026 | 16,000 | - | 96,989 |
| TOTAL RESERVES | \$ 1,951,856 | \$ 19,478 | \$ 76,000 | \$ 118,621 | \$ 1,928,713 |
| APPROPRIATED EQUITY - OPERATIONS | | | | | |
| General Operating Fund | | | | | |
| Future Projects | 3,674,882 | - | 1,415,294 | 2,401,124 | 2,689,052 |
| Equipment | 1,281,500 | - | 281,757 | 287,968 | 1,275,288 |
| Land & Building | 30,719 | - | 60,000 | - | 90,719 |
| Tax Contingency | 7,986 | - | - | - | 7,986 |
| Snow & Ice Removal | - | - | 50,000 | - | 50,000 |
| Infrastructure Deficit | 491,581 | - | 208,034 | 8,284 | 691,331 |
| Multi-Materials BC Rebate | 291,925 | - | 88,400 | - | 380,325 |
| | <u>5,778,593</u> | <u>-</u> | <u>2,103,485</u> | <u>2,697,376</u> | <u>5,184,702</u> |
| Water Operating Fund | | | | | |
| Future Projects | - | - | 893,757 | - | 893,757 |
| Capital Expenditures | 1,169,330 | - | 494,246 | 355,718 | 1,307,858 |
| MFA Surplus Refunds | 524,075 | - | - | - | 524,075 |
| Total Water Operating Fund | <u>1,693,405</u> | <u>-</u> | <u>1,388,003</u> | <u>355,718</u> | <u>2,725,690</u> |
| Sewer Operating Fund | | | | | |
| Future Projects | - | - | 638,494 | - | 638,494 |
| Capital Expenditures | 475,433 | - | - | 44,144 | 431,289 |
| MFA Surplus Refunds | - | - | - | - | - |
| Total Sewer Operating Fund | <u>475,433</u> | <u>-</u> | <u>638,494</u> | <u>44,144</u> | <u>1,069,783</u> |
| TOTAL APPROPRIATED EQUITY | <u>\$ 7,947,431</u> | <u>\$ -</u> | <u>\$ 4,129,982</u> | <u>\$ 3,097,238</u> | <u>\$ 8,980,174</u> |
| TOTAL RESERVES AND APPROPRIATED EQUITY | <u>\$ 9,899,286</u> | <u>\$ 19,478</u> | <u>\$ 4,205,982</u> | <u>\$ 3,215,859</u> | <u>\$ 10,908,887</u> |

TOWN OF LADYSMITH
SCHEDULE OF GRANT REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE VI

| | <u>Actuals 2018</u> | <u>Budget 2018</u> | <u>Actuals 2017</u> |
|--|-------------------------|------------------------|-------------------------|
| Operating Grants | | | |
| Traffic Fines Revenue | \$ 45,684 | \$ 45,564 | \$ 45,564 |
| Small Communities | 465,515 | 461,270 | 461,270 |
| CVRD Recreation | 135,075 | 128,268 | 128,268 |
| Other | 29,672 | 15,164 | 35,577 |
| | <u>675,946</u> | <u>650,266</u> | <u>670,679</u> |
| Capital Grants | | | |
| 2nd Avenue/High St Crosswalk | \$ - | \$ 10,000 | \$ - |
| Tree Replacements | 6,100 | 6,000 | - |
| Age Friendly Walkability | 9,000 | 15,000 | - |
| Asset Management | 9,152 | 9,000 | 70,848 |
| Bio-Solids Business Case | - | - | 10,000 |
| Canada 150 | - | - | 46,000 |
| Composting Facility | - | - | 548,274 |
| Derelict Vessels | 59,880 | 72,480 | 2,520 |
| Machine Shop | 35,968 | 1,752,553 | - |
| MIABC - Golf Course Netting | 7,846 | 7,846 | - |
| Stz'uminus First Nation Cooperation Protocol/C2C | 610 | - | 1,685 |
| Water Filtration | 2,853,538 | 8,232,935 | 567,064 |
| | <u>2,982,094</u> | <u>10,105,814</u> | <u>1,246,391</u> |
| Total Grants | <u>\$ 3,658,040</u> | <u>\$ 10,756,080</u> | <u>\$ 1,917,069</u> |

TOWN OF LADYSMITH
STATEMENT OF OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE VII

| | General Government | | Protective Services | | Transportation, Garbage & Cemetery Services | | Development Services | |
|---------------------------------------|-----------------------|---------------------|------------------------|-----------------------|---|-----------------------|-------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| REVENUE | | | | | | | | |
| Tax | \$ 8,121,648 | \$ 7,886,543 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Sale of services | 48,504 | 32,754 | 84,976 | 73,522 | 679,009 | 669,036 | - | - |
| Investment income & MFA Refunds | 263,939 | 183,209 | - | - | - | - | - | - |
| Licence, Permits, Rentals & Penalties | 110,919 | 114,817 | 210,118 | 191,790 | 181,597 | 111,270 | 227,508 | 215,624 |
| Grants | 535,157 | 465,475 | 45,684 | 45,564 | - | 16,241 | - | - |
| Donations & contributed property | 16,000 | - | - | - | 229,490 | 215,797 | - | 5,000 |
| Loss on foreign exchange | (51,120) | (42,008) | - | - | - | - | - | - |
| Gain (loss) on disposal | (1,205) | 1,641,274 | - | - | - | - | - | - |
| Development fees | - | - | - | - | - | - | - | - |
| Gas tax fund utilized | 60,000 | - | - | 40,000 | 214,157 | 7,983 | - | 126,872 |
| Total revenue | 9,103,841 | 10,282,064 | 340,778 | 350,876 | 1,304,253 | 1,020,327 | 227,508 | 347,496 |
| EXPENSES | | | | | | | | |
| Contracted Services | 625,463 | 403,373 | 1,078,113 | 1,148,132 | 796,183 | 566,463 | 66,582 | 264,363 |
| Service Agreements/Grants In Aid | 166,647 | 161,073 | - | - | - | - | - | - |
| Insurance | 75,556 | 58,686 | 21,523 | 17,357 | 5,035 | 4,930 | - | - |
| Interest | 5,912 | 5,353 | 24,501 | 22,542 | - | 4 | - | - |
| Materials & Supplies | 93,460 | 69,603 | 87,550 | 139,451 | 113,422 | 156,285 | 11,539 | 9,584 |
| Utilities & Telephone | 20,035 | 17,093 | 26,241 | 23,403 | 151,099 | 143,365 | 5,662 | 4,686 |
| Wages & Benefits | 1,662,778 | 1,537,156 | 299,033 | 270,124 | 939,000 | 934,092 | 471,407 | 467,447 |
| Other | (183,413) | (147,370) | 38,361 | 31,518 | 55,328 | 19,968 | 19,353 | 19,896 |
| Amortization | 232,555 | 224,995 | 167,589 | 149,909 | 818,927 | 845,505 | 4,128 | 5,514 |
| Total expenses | 2,698,993 | 2,329,962 | 1,742,911 | 1,802,436 | 2,878,994 | 2,670,612 | 578,671 | 771,490 |
| Surplus (Deficit) | \$ 6,404,848 | \$ 7,952,102 | \$ (1,402,133) | \$ (1,451,560) | \$ (1,574,741) | \$ (1,650,286) | \$ (351,163) | \$ (423,994) |

TOWN OF LADYSMITH
STATEMENT OF OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE VII -CONTINUED

| Recreation & Culture Services | | Parks Operations Services | | Sewer Operations Services | | Water Operations Services | | Total Actual | Total Actual |
|-------------------------------|-----------------------|---------------------------|---------------------|---------------------------|---------------------|---------------------------|---------------------|---------------------|---------------------|
| 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| \$ - | \$ - | \$ - | \$ - | \$ 1,093,742 | \$ 1,084,353 | \$ 1,476,454 | \$ 1,176,014 | \$ 10,691,844 | \$ 10,146,909 |
| 582,075 | 533,061 | 34,310 | - | 1,296,801 | 1,087,316 | 1,006,296 | 949,234 | 3,731,971 | 3,344,924 |
| - | - | - | - | - | - | - | - | 263,939 | 183,209 |
| 201,741 | 188,467 | - | - | 17,546 | 14,287 | 15,996 | 13,609 | 965,424 | 849,864 |
| 206,676 | 264,452 | 16,984 | - | - | 558,274 | 2,853,538 | 567,064 | 3,658,040 | 1,917,069 |
| 35,144 | 3,665 | 6,000 | 7,500 | 32,540 | 44,436 | 29,040 | 59,240 | 348,214 | 335,638 |
| - | - | - | - | - | - | - | - | (51,120) | (42,008) |
| - | - | - | - | - | - | - | - | (1,205) | 1,641,275 |
| - | - | - | - | 43,000 | - | - | - | 43,000 | - |
| 123,914 | 55,199 | - | - | - | - | - | - | 398,071 | 230,053 |
| <u>1,149,550</u> | <u>1,044,844</u> | <u>57,295</u> | <u>7,500</u> | <u>2,483,628</u> | <u>2,788,666</u> | <u>5,381,323</u> | <u>2,765,161</u> | <u>20,048,177</u> | <u>18,606,933</u> |
| 338,806 | 309,423 | 70,461 | 70,458 | 241,093 | 492,329 | 133,276 | 145,256 | 3,349,977 | 3,399,797 |
| - | - | - | - | - | - | - | - | 166,647 | 161,073 |
| 39,772 | 38,496 | 4,180 | 4,076 | 17,297 | 15,396 | 11,210 | 11,201 | 174,573 | 150,142 |
| 210 | 334 | - | - | 182,458 | 195,819 | 28,798 | 29,921 | 241,880 | 253,973 |
| 151,321 | 135,615 | 95,350 | 78,886 | 170,104 | 177,524 | 117,907 | 89,933 | 840,653 | 856,881 |
| 217,964 | 218,844 | 7,345 | 5,455 | 144,441 | 117,411 | 11,086 | 10,817 | 583,872 | 541,074 |
| 1,881,723 | 1,793,990 | 443,250 | 420,163 | 559,911 | 514,332 | 462,277 | 411,775 | 6,719,378 | 6,349,079 |
| 27,927 | 23,415 | 76,555 | 86,327 | 212,236 | 203,871 | 206,923 | 205,718 | 453,270 | 443,343 |
| 230,257 | 223,795 | 233,732 | 247,441 | 1,260,213 | 1,173,981 | 388,631 | 384,942 | 3,336,032 | 3,256,082 |
| <u>2,887,980</u> | <u>2,743,912</u> | <u>930,872</u> | <u>912,806</u> | <u>2,787,753</u> | <u>2,890,663</u> | <u>1,360,108</u> | <u>1,289,563</u> | <u>15,866,282</u> | <u>15,411,445</u> |
| <u>\$ (1,738,430)</u> | <u>\$ (1,699,068)</u> | <u>\$ (873,578)</u> | <u>\$ (905,306)</u> | <u>\$ (304,124)</u> | <u>\$ (101,997)</u> | <u>\$ 4,021,215</u> | <u>\$ 1,475,598</u> | <u>\$ 4,181,895</u> | <u>\$ 3,195,488</u> |

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE VIII

| | <u>Land</u> | | <u>Land Improvements</u> | | <u>Buildings</u> | | <u>Vehicle Furniture & Equipment</u> | | <u>Transportation</u> |
|---------------------------------|---------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|--|---------------------|-----------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> |
| COST | | | | | | | | | |
| Opening Balance | \$ 9,451,806 | \$ 9,481,022 | \$ 8,617,422 | \$ 8,562,238 | \$ 21,215,517 | \$ 20,141,964 | \$ 7,615,385 | \$ 7,240,096 | \$ 26,843,386 |
| Add: Additions | 459,410 | 377,144 | 340,031 | 55,184 | 2,457,996 | 1,073,553 | 1,503,780 | 378,666 | 247,825 |
| Less: Disposals | - | 406,360 | - | - | - | - | 1,205 | 3,377 | - |
| Less: Write-downs | - | - | - | - | - | - | - | - | - |
| Closing Balance | <u>9,911,216</u> | <u>9,451,806</u> | <u>8,957,453</u> | <u>8,617,422</u> | <u>23,673,513</u> | <u>21,215,517</u> | <u>9,117,960</u> | <u>7,615,385</u> | <u>27,091,211</u> |
| ACCUMULATED AMORTIZATION | | | | | | | | | |
| Opening Balance | - | - | 3,225,903 | 2,983,770 | 6,101,426 | 5,535,391 | 4,040,969 | 3,602,381 | 15,385,190 |
| Add: Amortization | - | - | 241,114 | 242,133 | 621,188 | 566,035 | 462,668 | 441,965 | 599,084 |
| Less: Write-downs | - | - | - | - | - | - | - | - | - |
| Less: Disposals | - | - | - | - | - | - | - | 3,377 | - |
| Closing Balance | <u>-</u> | <u>-</u> | <u>3,467,017</u> | <u>3,225,903</u> | <u>6,722,614</u> | <u>6,101,426</u> | <u>4,503,637</u> | <u>4,040,969</u> | <u>15,984,274</u> |
| Net Book Value | <u>\$ 9,911,216</u> | <u>\$ 9,451,806</u> | <u>\$ 5,490,436</u> | <u>\$ 5,391,519</u> | <u>\$ 16,950,899</u> | <u>\$ 15,114,091</u> | <u>\$ 4,614,323</u> | <u>\$ 3,574,416</u> | <u>\$ 11,106,937</u> |

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE VIII (CONTINUED)

Linear Infrastructure

| Transportation | Sanitary Sewer | | Storm | | Water | | Assets Under Construction | | Total | |
|----------------------|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|---------------------------|---------------------|----------------------|----------------------|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2018 | 2017 |
| \$ 26,634,528 | \$ 35,914,284 | \$ 35,511,308 | \$ 8,607,481 | \$ 8,527,181 | \$ 16,713,617 | \$ 16,636,309 | \$ 2,997,471 | \$ 329,480 | \$ 137,976,369 | \$ 133,064,126 |
| 208,858 | 32,540 | 402,976 | 100,677 | 80,300 | 223,463 | 77,308 | 4,017,206 | 2,927,392 | 9,382,928 | 5,581,381 |
| - | - | - | - | - | - | - | 2,228,358 | 259,401 | 2,229,563 | 669,138 |
| - | - | - | - | - | - | - | - | - | - | - |
| <u>26,843,386</u> | <u>35,946,824</u> | <u>35,914,284</u> | <u>8,708,158</u> | <u>8,607,481</u> | <u>16,937,080</u> | <u>16,713,617</u> | <u>4,786,319</u> | <u>2,997,471</u> | <u>145,129,734</u> | <u>137,976,369</u> |
| 14,779,738 | 7,822,993 | 6,841,672 | 2,312,727 | 2,196,399 | 5,212,353 | 4,909,505 | - | - | 44,101,561 | 40,848,856 |
| 605,452 | 988,598 | 981,321 | 117,901 | 116,328 | 305,479 | 302,848 | - | - | 3,336,032 | 3,256,082 |
| - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | 3,377 |
| <u>15,385,190</u> | <u>8,811,591</u> | <u>7,822,993</u> | <u>2,430,628</u> | <u>2,312,727</u> | <u>5,517,832</u> | <u>5,212,353</u> | <u>-</u> | <u>-</u> | <u>47,437,593</u> | <u>44,101,561</u> |
| <u>\$ 11,458,196</u> | <u>\$ 27,135,233</u> | <u>\$ 28,091,291</u> | <u>\$ 6,277,530</u> | <u>\$ 6,294,754</u> | <u>\$ 11,419,248</u> | <u>\$ 11,501,264</u> | <u>\$ 4,786,319</u> | <u>\$ 2,997,471</u> | <u>\$ 97,692,141</u> | <u>\$ 93,874,808</u> |