

TOWN OF LADYSMITH
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015
AUDITED



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DECEMBER 31, 2015

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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.



Ruth Malli, CPA, CGA
Chief Administration Officer

Independent Auditors' Report

To the Mayor and Council of the Town of Ladysmith:

We have audited the accompanying consolidated financial statements of the Town of Ladysmith, which comprise the consolidated statement of financial position as at December 31, 2015 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, 2015 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 18, 2016


Chartered Professional Accountants

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	2015	2014
Financial Assets		
Cash and short term deposits (Note 3)	\$ 13,653,298	\$ 12,790,890
Accounts receivable (Note 4)	2,934,237	4,175,786
	16,587,535	16,966,676
Liabilities		
Accounts payable and accrued liabilities (Note 5)	2,030,493	1,734,074
Post-employment benefits (Note 6)	268,000	276,300
Deferred revenue (Note 7)	368,849	311,057
Refundable deposits and other (Note 8)	391,720	333,530
Restricted reserves - other (Note 9)	490,270	480,150
Development cost charge reserve (Note 9)	1,769,872	1,477,171
Federal gas tax reserve (Note 11)	1,060,650	976,699
Obligations under capital lease (Note 12 & Schedule I)	445,707	558,406
Equipment Financing (Note 13)	42,952	-
Short term financing (Note 14 & Schedule II)	4,920,000	-
Debenture debt (Note 15 & Schedule III)	2,976,232	3,231,518
	14,764,745	9,378,905
Net Financial Assets	1,822,790	7,587,771
Non-Financial Assets		
Tangible Capital Assets (Schedule X)	89,175,441	80,163,584
Prepays	107,343	101,293
Inventory	74,792	74,824
	89,357,576	80,339,701
Accumulated Surplus (Note 20)	\$ 91,180,366	\$ 87,927,472

Commitments and Contingencies (Note 16)



 Director of Financial Services

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF OPERATIONS
AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>Budget 2015</u> (Note 21)	<u>2014</u>
Revenue			
Taxes - (Schedule IV)	\$ 9,164,130	\$ 9,162,471	\$ 8,619,254
Fees and charges			
General (Schedule V)	1,894,740	1,758,454	1,735,798
Sewer (Schedule V)	791,347	767,278	741,877
Water (Schedule V)	713,268	765,290	713,777
Investment Income	132,452	105,000	130,693
Penalty and interest on tax	123,546	123,000	123,986
Grants (Schedule VIII)	2,534,795	4,330,519	3,504,463
Donations and contributed tangible capital assets	241,914	128,700	143,043
Gain on foreign exchange	131,994	-	95,762
Gain (loss) on disposal of tangible capital assets	164,961	-	(35,830)
Municipal Finance Authority refunds	47,299	-	-
Development fees	108,075	108,075	111,625
Local area improvements	-	-	8,922
Gas tax funds utilized	299,363	755,400	261,684
	<u>16,347,884</u>	<u>18,004,187</u>	<u>16,155,054</u>
Expenses			
General government services	2,270,072	2,361,001	2,240,654
Protective services	1,901,564	1,985,484	1,805,295
Transportation services	1,971,138	2,334,276	2,172,972
Garbage services	485,293	553,020	454,278
Cemetery services	21,492	30,072	23,999
Development services	516,386	691,077	560,900
Recreation and cultural services	2,387,738	2,527,052	2,342,825
Parks operation services	894,327	903,188	836,094
Sewer	1,274,354	1,664,386	1,074,454
Water	1,372,626	1,246,229	975,569
	<u>13,094,990</u>	<u>14,295,785</u>	<u>12,487,040</u>
Annual Surplus	3,252,894	3,708,402	3,668,014
Accumulated Surplus, beginning of year	<u>87,927,472</u>	<u>87,927,472</u>	<u>84,259,458</u>
Accumulated Surplus - end of year	<u>\$ 91,180,366</u>	<u>\$ 91,635,874</u>	<u>\$ 87,927,472</u>

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Operating Transactions		
Annual Surplus	\$ 3,252,894	\$ 3,668,014
Less non-cash items included in surplus:		
Amortization	2,512,157	2,436,048
Loss (gain) on disposal of tangible capital assets	(164,961)	35,830
Actuarial adjustments on debenture debt	(88,962)	(78,504)
Contributed tangible capital assets	<u>(127,251)</u>	<u>(110,215)</u>
	5,383,877	5,951,173
Accounts receivable	1,241,549	(1,275,040)
Prepaid expenses	(6,050)	17,356
Inventory	32	9,251
Accounts payable and accrued liabilities	296,420	171,550
Post employment benefits	(8,300)	50,400
Deferred revenues	57,792	81,817
Refundable deposits and other	58,190	(62,712)
Restricted reserves	10,120	5,937
Development cost charge reserve	292,701	(40,519)
Gas tax reserve	<u>83,951</u>	<u>121,711</u>
Cash provided by operating transactions	<u>7,410,282</u>	<u>5,030,925</u>
Capital Transactions		
Proceeds on sale of tangible capital assets	166,975	6,426
Cash used to acquire tangible capital assets	<u>(11,398,779)</u>	<u>(4,606,232)</u>
	<u>(11,231,804)</u>	<u>(4,599,806)</u>
Financing		
Proceeds of short-term financing	4,920,000	-
Repayment of long-term debt and capital leases	<u>(236,071)</u>	<u>(231,251)</u>
Net (Decrease) Increase in cash from financing	<u>4,683,929</u>	<u>(231,251)</u>
Increase in Cash and Short Term Deposits	862,407	199,868
Cash and Short Term Deposits - Beginning of Year	12,790,890	12,591,022
Cash and Short Term Deposits - End of Year	<u>\$ 13,653,298</u>	<u>\$ 12,790,890</u>

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>Budget 2015</u> (Note 21)	<u>2014</u>
Annual Surplus	\$ 3,252,894	\$ 3,708,402	\$ 3,668,014
Acquisition of tangible capital assets	(11,526,030)	(16,657,483)	(4,764,215)
Amortization of tangible capital assets	2,512,157	2,485,372	2,436,048
Loss (gain) on sale of tangible capital assets	(164,961)	-	35,830
Proceeds from sale of tangible capital assets	166,975	-	6,429
Decrease (Increase) in inventories	32	-	9,251
Decrease (Increase) in prepaids	<u>(6,050)</u>	<u>-</u>	<u>17,356</u>
Change in Net Financial Assets	<u>(5,764,982)</u>	<u>(10,463,709)</u>	<u>1,408,713</u>
Net Financial Assets, beginning of year	<u>7,587,771</u>		<u>6,179,058</u>
Net Financial Assets, end of year	<u>\$ 1,822,790</u>		<u>\$ 7,587,771</u>

See accompanying notes to the consolidated financial statements

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. General

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

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

2. Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

(b) Reporting Entity

The consolidated financial statements include the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity is comprised of all the funds, agencies, local boards, and committees of the Council which are controlled by the Town. Control is defined as the power to govern the financial and reporting policies of another organization with the expected benefits or risk of loss to the Town. The controlled organizations are consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the Town. Interfund and intercompany balances and transactions have been eliminated. The controlled organizations include DL 2016 Holdings Corporation, a wholly owned subsidiary of the Town.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. Significant Accounting Policies (continued)

(e) Restricted Reserves and Deferred Revenues

Receipts which are restricted by the legislation of senior governments or by agreement with external parties are deferred and reported as restricted reserves. When qualifying expenses are incurred, restricted reserves are brought into revenue at equal amounts, in accordance with Revenue Recognition policy 2 (h). These revenues are comprised of the amounts shown in Note 9.

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

(f) Use of Estimates

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

(g) Leases

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

Rental payments under operating leases are expensed as incurred.

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

(h) Revenue Recognition

Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year. Fees and charges revenue are recognized when the services are rendered. Investment income is accrued as earned. Gain on foreign exchange has been recognized in the Statement of Operations using the exchange rate in effect on December 31, 2015.

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, 2015

2. Significant Accounting Policies (continued)

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

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

(i) Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

(j) Inventory

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

(k) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Town of Ladysmith is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2015.

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

At each financial reporting date, the Town of Ladysmith reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. If applicable, the Town of Ladysmith will recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. Significant Accounting Policies (continued)

(I) Recent Accounting Pronouncements

PS 2200 Related Party Disclosures

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

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

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

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

PS 3210 Assets

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

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

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

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

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

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

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

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015

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, 2015

3. Cash and Short Term Deposits

Cash and short term deposits were comprised as follows:

	<u>2015</u>	<u>2014</u>
Cash	\$ 12,886,680	\$ 12,030,766
Short term deposits	766,618	760,124
	<u>\$ 13,653,298</u>	<u>\$ 12,790,890</u>

Included in Cash is a deposit of \$1,157,870 (the equivalent of \$852,854 US Funds based on the exchange rate at the Ladysmith and District Credit Union on December 31, 2015). 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>2015</u>	<u>2014</u>
Restricted reserves - other	\$ 490,270	\$ 480,150
Federal gas tax reserve	1,060,650	976,699
Development cost charges reserve	1,769,872	1,477,171
Total restricted cash	<u>\$ 3,320,793</u>	<u>\$ 2,934,020</u>

4. Accounts Receivable

	<u>2015</u>	<u>2014</u>
Property taxes	\$ 1,243,983	\$ 1,277,401
Other government	1,031,001	2,258,560
User fees and other	631,823	615,204
Developer receivables	16,253	16,253
Employee receivables	11,177	8,369
	<u>\$ 2,934,237</u>	<u>\$ 4,175,786</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, 2015

5. Accounts Payable and Accrued Liabilities

	<u>2015</u>	<u>2014</u>
General	\$ 1,007,433	\$ 1,284,364
Other governments	1,151	1,039
Salaries and wages	194,764	188,300
Contractor holdbacks	786,222	219,448
Accrued interest	40,923	40,923
	<u>\$ 2,030,493</u>	<u>\$ 1,734,074</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, 2015. The change in the liability in the financial statements in respect of obligations under the plan amounts to \$8,300. (\$50,400 - 2014).

The accrued post-employment benefits are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 276,300	\$ 225,900
Current service costs	30,400	29,200
Benefits paid	(32,700)	(13,700)
Actuarial (gain)/loss	(6,000)	34,900
Balance, end of year	<u>\$ 268,000</u>	<u>\$ 276,300</u>

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

	<u>2015</u>	<u>2014</u>
Discount Rate	3.10%	3.10%
Expected Inflation Rate and Wage & Salary Increases	2.50%	2.50%

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

7. Deferred Revenue

	<u>2015</u>	<u>2014</u>
Licence fees & charges	\$ 6,133	\$ 5,961
Rental payments	589	37,957
Prepaid property tax	243,115	163,609
Subdivision tree prepayment	45,604	35,105
Recreation prepayment	32,399	26,928
Utilities	26,249	26,102
Other	14,759	15,396
	<u>\$ 368,849</u>	<u>\$ 311,057</u>

8. Refundable Deposits and Other

	<u>2015</u>	<u>2014</u>
Developer performance deposits	\$ 212,120	\$ 159,780
Damage deposits	179,400	173,550
Other	200	200
	<u>\$ 391,720</u>	<u>\$ 333,530</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, 2015

9. Restricted Reserves and Development Cost Charges Reserve

Restricted reserves include Development Cost Charges (DCC's) which are charged to developers and utilized for infrastructure development. There are two reserves, LRC Capital and B&G Capital for the replacement of specific building components located at 630 2nd Avenue and 220 High Street.

Description	Balance Dec. 31, 2014	Interest	Contributions	Expenditures	Balance Dec. 31, 2015
DCC - Water	\$ 258,136	\$ 3,134	\$ 141,386	\$ -	\$ 402,656
DCC - Parks	270,463	2,682	45,360	-	318,504
DCC - Roads	431,985	3,923	96,180	(108,075)	424,013
DCC - Sewer	176,721	1,826	95,377	-	273,925
DCC - Storm	339,867	3,287	7,620	-	350,774
	<u>1,477,171</u>	<u>14,853</u>	<u>385,924</u>	<u>(108,075)</u>	<u>1,769,872</u>
Parking	72,304	694	-	-	72,998
Green Streets	1,427	14	-	-	1,441
Amphitheatre	14,725	146	1,200	-	16,071
LRC - Capital	369,197	283	2,480	-	371,960
B&G - Capital	22,497	240	5,064	-	27,801
	<u>480,150</u>	<u>1,377</u>	<u>8,744</u>	<u>-</u>	<u>490,270</u>
TOTAL	<u><u>\$ 1,957,321</u></u>	<u><u>\$ 16,229</u></u>	<u><u>\$ 394,667</u></u>	<u><u>\$ (108,075)</u></u>	<u><u>\$ 2,260,142</u></u>

10. Financial Instruments

The Town as part of its operations carries a number of financial instruments. It is management's opinion the Town is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. The Town is exposed to currency risk on its US dollar bank account, as described in Note 3. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

	2015	2014
Opening balance of unspent funds	\$ 976,699	\$ 854,988
Add: Amounts received during the year	374,048	374,048
Interest earned	9,265	9,347
Less: Gas tax funds utilized	(299,363)	(261,684)
	\$ 1,060,650	\$ 976,699

12. Obligations under Capital Lease

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

2016	\$ 61,317
2017	48,872
2018	332,139
2019	3,379
2020	-
Thereafter	-

Debt interest, less actuarial adjustments in the consolidated statement of financial activities, is calculated as \$8,673 (\$10,812 - 2014).

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, 2015

12. Obligations under Capital Lease (continued)

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

- 1) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on August 2011 for the purchase of a Photocopier. The remaining obligation will be repaid with monthly lease payments in the amount of \$329 including interest at 1.70% per annum. The balance of the capital lease at December 31, 2015, which is included in obligation under capital leases, is \$2,416. Lease to expire July 2016. (\$6,559 - 2014)
- 2) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on April 2012 for the purchase of a 4X4 fire truck. The remaining obligation will be repaid with monthly lease payments in the amount of \$1,381 including interest at 1.70% per annum. The balance of the capital lease at December 31, 2015, which is included in obligation under capital leases, is \$24,752. Lease to expire May 2017. (\$41,870 - 2014)
- 3) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on June 2012 for the purchase of a photocopier. The remaining obligation will be repaid with monthly lease payments in the amount of \$111 including interest at 1.70% per annum. The balance of the capital lease at December 31, 2015, which is included in obligation under capital leases, is \$2,212. Lease to expire July 2017. (\$3,587 - 2014)
- 4) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on March 28, 2013 for the purchase of a fire truck. The remaining obligation will be repaid with monthly lease payments in the amount of \$2,718 including interest at 1.70% per annum. The balance of the capital lease at December 31, 2015, which is included in obligation under capital leases, is \$378,241. Lease to expire March 2018. (\$406,075 - 2014)
- 5) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on February 2, 2014 for the purchase of a photocopier. The remaining obligation will be repaid with monthly lease payments in the amount of \$147 including interest at 1.70% per annum. The balance of the capital lease at December 31, 2015, which is included in obligation under capital leases, is \$5,781. Lease to expire February 2019. (\$7,546 - 2014)
- 6) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on April 25, 2014 for the purchase of fitness equipment. The remaining obligation will be repaid with monthly lease payments in the amount of \$782 including interest at 1.70% per annum. The balance of the capital lease at December 31, 2015, which is included in obligation under capital leases, is \$32,305. Lease to expire April 2019. (\$41,678 - 2014)

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, 2015

13. Equipment Financing

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

The future minimum principal payments are:

2016	\$	8,769
2017		8,889
2018		9,015
2019		9,143
2020		7,136
Thereafter		-

14. Short-Term Debt

The Town executed short term borrowing of \$4,000,000 to construct the upgrade of the Waste Water Treatment Plant. An additional \$3,000,000 was executed in 2016.

The Town also executed short term borrowing of \$920,000 to purchase the properties at 12, 20, and 26 Buller Street and 721 First Avenue.

Principal Payments payable over the next five years:

	2016	2017	2018	2019	2020
Waste Water Treatment Plant	\$4,000,000	-	-	-	-
Buller Street Properties	-	-	-	-	\$ 920,000

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

15. Debenture Debt

The total long term debt issued and outstanding as at December 31, 2015 was \$2,976,232 (\$3,231,518 as at December 31, 2014). There is an additional \$10 million dollars authorized to fund the upgrade of the Waste Water Treatment Plant.

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

Principal repayments

	2016	2017	2018	2019	2020	Thereafter
General	\$ 66,033	\$ 66,033	\$ 66,033	\$ 66,033	\$ 66,033	\$ 726,362
Water	24,012	24,012	24,012	24,012	24,012	408,204
Sewer	-	-	-	-	-	-
	<u>\$ 90,045</u>	<u>\$ 90,045</u>	<u>\$ 90,045</u>	<u>\$ 90,045</u>	<u>\$ 90,045</u>	<u>\$ 1,134,566</u>

Actuarial sinking fund earnings

	2016	2017	2018	2019	2020	Thereafter
General	\$ 27,953	\$ 31,712	\$ 35,622	\$ 39,688	\$ 43,917	\$ 815,770
Water	2,998	4,078	5,202	6,371	7,586	370,544
Sewer	-	-	-	-	-	-
	<u>\$ 30,951</u>	<u>\$ 35,790</u>	<u>\$ 40,824</u>	<u>\$ 46,059</u>	<u>\$ 51,503</u>	<u>\$ 1,186,314</u>
	<u>\$120,996</u>	<u>\$125,835</u>	<u>\$130,869</u>	<u>\$136,104</u>	<u>\$141,548</u>	<u>\$2,320,880</u>

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

	Interest	Actuarial Adjustment	2015 Net	2014 Net
General - Interest	\$ 219,463	\$ 83,177	\$ 136,286	\$ 145,380
Water - Interest	34,000	1,959	32,041	33,040
Sewer - Interest	725	3,826	(3,101)	(1,263)
	<u>\$ 254,188</u>	<u>\$ 88,962</u>	<u>\$ 165,226</u>	<u>\$ 177,156</u>

16. Commitments and Contingencies

(a) Contingent Liabilities

- i) The Town, as a member of the Cowichan Valley Regional District, is jointly and severally liable for operational deficits or long term debt related to functions in which it participates.
- ii) The loan agreements with the Municipal Finance Authority provide that if the Authority does not have sufficient funds to meet payments on its obligations it shall make payments from the Debt Reserve Fund which in turn is established by a similar Debt Reserve Fund in the Town and all other borrowing participants. If the Debt Reserve Fund is deficient the Authority's obligations become a liability of the regional district and may become a liability of the participating municipalities.
- iii) Various claims have been made against the Town as at December 31, 2015 for incidents which arose in the ordinary course of operations. In the opinion of management and legal counsel, the

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

16. Commitments and Contingencies (Continued)

outcomes of the lawsuits, now pending, are not determinable. As the outcomes are not determinable at this time, no amount has been accrued in the financial statements. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

(b) Pension Liability

The employer and its employees contribute to the Municipal Pension Plan (a jointly trusted pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2014, the Plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 contributors from local governments.

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

The most recent valuation for the Municipal Pension Plan as of December 31, 2012, indicated a \$1.37 billion funding deficit for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2015, with results available in 2016.

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.

The Town of Ladysmith paid \$430,067 (2014 - \$408,683) for employer contributions to the Plan in fiscal 2015.

(c) Reciprocal Insurance Exchange Agreement

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

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

17. Significant Taxpayers

The Town is reliant upon 10 taxpayers for approximately 20.72% (21.19% - 2014) of the total property tax revenue which includes Western Forest Products at approximately 12.6% (13.1% - 2014) of the total property tax revenue.

18. Funds Held in Trust

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

	<u>2015</u>	<u>2014</u>
Assets		
Cash and short term investment	<u>\$ 147,252</u>	<u>\$ 143,932</u>
Equity		
Opening balance	\$ 143,932	\$ 141,707
Interest	1,474	1,583
Transfer interest to fund cemetery costs	(1,474)	(1,583)
Contributions	<u>3,320</u>	<u>2,225</u>
Balance, end of year	<u>\$ 147,252</u>	<u>\$ 143,932</u>

19. Comparative Figures

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

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

20. Accumulated Surplus

The Town segregates its accumulated surplus in the following categories:

	2015	2014 (Restated)
Unappropriated equity	\$ 3,733,297	\$ 3,301,039
Appropriated equity (Schedule VI)	5,612,326	7,307,629
	9,345,623	10,608,668
 Capital Funds		
General capital fund	127,404	113,288
Sewer capital fund	17,419	834
Water capital fund	612,520	595,935
	757,344	710,057
 Reserve Funds		
Reserve funds (Schedule VI)	286,847	235,633
Equity in Tangible Capital Assets	80,790,552	76,373,114
Total Accumulated Surplus	\$ 91,180,366	\$ 87,927,472

21. Annual Budget

Fiscal plan amounts represent the Financial Plan Bylaw adopted by Council on May 11, 2015.

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

The following shows how these amounts were combined:

Financial Plan Balance for the year	\$ -
Add back:	
Amortization	(2,485,372)
Proceeds from new debt	(9,800,000)
Transfers to/from own funds	(1,140,829)
Less:	
Principal payments on debt	477,120
Capital expenditures per budget	17,448,403
Capital Expenditures expensed according to Tangible Capital Asset Policy	(790,920)
Adjusted Annual Surplus	\$ 3,708,402

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, 2015

22. DL 2016 Holdings Corporation (“DL 2016”)

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

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

DL 2016 has entered into operation and maintenance agreement and a license agreement with the Ladysmith Maritime Society (LMS) for the operation and management of the lease area.

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

23. Segmented Information

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

General Government Services

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

Protective Services

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

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

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

23. Segmented Information (Continued)

- Policing is provided under contract with the RCMP operating from a detachment building located in and owned by the Town of Ladysmith.
- The Town of Ladysmith's Development Services and Public Works Departments work together to regulate all construction within the Town. This is achieved through the use of the Town of Ladysmith's Building and Plumbing Bylaw, the British Columbia Building Code, the British Columbia Fire Code and other related bylaws and enactments with the Town of Ladysmith.

Transportation, Garbage and Cemetery

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

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

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

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

Development

The Development Services Department provides short-term and long-term land use planning services.

- Long-term Planning includes work with the community on reviewing the Town's Official Community Plan, developing new Neighbourhood Plans, the Trail Plan and the review of relevant bylaws.
- Short term Planning includes the processing of development applications.

These notes form an integral part of these financial statements.

TOWN OF LADYSMITH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

23. Segmented Information (Continued)

Recreation and Culture

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

Parks

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

Water

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

Sewer

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

24. Subsequent Events

Subsequent to year end, the Town borrowed an additional \$3,000,000 for a total of \$7,000,000 of the approved \$10,000,000 loan through the Municipal Finance Authority for the construction of the third phase of the wastewater treatment plant.

25. Changes in Accounting Policies

PS 3260 Liabilities for Contaminated Sites

Effective January 1, 2015, the Town of Ladysmith adopted the recommendations in PS 3260 Liabilities for Contaminated Sites, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the Town of Ladysmith is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 2 (k), Significant Accounting Policies.

There was no effect on the Town's financial statements from adopting the above-noted change in accounting policy.

TOWN OF LADYSMITH
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE I

	<u>Term</u>	<u>Original Amount</u>	<u>Balance Dec 31, 2014</u>	<u>Principal Payments</u>	<u>Net Interest⁽¹⁾</u>	<u>Balance Dec 31, 2015</u>	<u>Interest Rate</u>
Spartan Fire Truck	2010-15	\$ 312,258	\$ 51,091	\$ 51,091	\$ 618	\$ -	1.70%
City Hall Copier	2011-16	19,780	6,559	4,143	79	\$ 2,416	1.70%
Fire Bush Truck	2012-17	83,652	41,870	17,118	575	\$ 24,752	1.70%
Spartan Fire Truck	2013-18	452,066	406,075	27,834	6,608	\$ 378,241	1.70%
P.W. Copier	2012-17	6,748	3,587	1,375	50	\$ 2,212	1.70%
Ricoh Copier - FJCC	2014-19	8,967	7,546	1,765	113	\$ 5,781	1.70%
Fitness Equip - FJCC	2014-19	47,765	41,678	9,373	630	\$ 32,305	1.70%
		<u>\$ 931,236</u>	<u>\$ 558,406</u>	<u>\$ 112,698</u>	<u>\$ 8,673</u>	<u>\$ 445,707</u>	

⁽¹⁾ Interest, net of actuarial adjustments

TOWN OF LADYSMITH
SCHEDULE OF SHORT TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE II

	<u>Term</u>	<u>Original Amount</u>	<u>Balance Dec 31, 2014</u>	<u>Principal Payments</u>	<u>Net Interest ⁽¹⁾</u>	<u>Balance Dec 31, 2015</u>	<u>Interest Rate</u>
<u>General Capital Fund</u>							
2015 Buller Street Properties	5 years	\$ 920,000	\$ -	\$ -	\$ 5,318	\$ 920,000	1.30%
<u>Sewer Capital Fund</u>							
2015 Waste Water Treatment Plant	5 years	4,000,000	-	-	22,564	4,000,000	1.30%
		<u>\$ 4,920,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,881</u>	<u>\$ 4,920,000</u>	

⁽¹⁾ Interest, net of actuarial adjustments

TOWN OF LADYSMITH
SCHEDULE OF DEBENTURE DEBT
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE III

	<u>Issue #</u>	<u>Term</u>	<u>Original Amount</u>	<u>Balance Dec 31, 2014</u>	<u>Principal Payments</u>	<u>Net Interest ⁽¹⁾</u>	<u>Balance Dec 31, 2015</u>	<u>Interest Rate</u>
<u>General Capital Fund</u>								
2000 First Avenue	73	2000-15	\$ 1,438,000	\$ 130,462	\$ 130,462	\$ 32,474	\$ -	6.35%
2006 RCMP Building	97	2006-31	2,750,000	2,141,558	90,371	103,812	2,051,187	4.66%
<u>Water Capital Fund</u>								
2012 Water Improvements	118	2012-37	1,000,000	951,016	25,971	32,041	925,044	3.40%
<u>Sewer Capital Fund</u>								
2000 Sewer Improvements	72	2000-15	93,500	8,483	8,483	(3,101)	-	6.45%
			\$ 5,281,500	\$ 3,231,518	\$ 255,287	\$ 165,226	\$ 2,976,232	

⁽¹⁾ Interest, net of actuarial adjustments

TOWN OF LADYSMITH
SCHEDULE OF TAX REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE IV

	<u>Actuals 2015</u>	<u>Budget 2015</u>	<u>Actuals 2014</u>
General Taxes			
General municipal purposes	\$ 7,456,243	\$ 7,458,863	\$ 7,022,129
Grants in lieu and 1% utility tax	165,762	164,115	165,983
Water and sewer parcel tax	1,542,125	1,539,493	1,431,141
	<u>\$ 9,164,130</u>	<u>\$ 9,162,471</u>	<u>\$ 8,619,254</u>
 Collections for other governments:			
School district	\$ 2,993,017	\$ 2,990,048	\$ 3,028,714
Regional hospital district	694,246	693,237	642,775
Regional district	1,139,643	1,138,082	1,018,087
BCAA and MFA	82,205	82,122	85,103
Library	340,973	341,052	328,044
	<u>\$ 5,250,083</u>	<u>\$ 5,244,541</u>	<u>\$ 5,102,722</u>
 Less:			
Transmission of taxes levied for other agencies:			
School district	\$ 2,993,017	\$ 2,990,048	\$ 3,028,714
Regional hospital district	694,246	693,237	642,775
Regional district	1,139,643	1,138,082	1,018,087
BCAA and MFA	82,205	82,122	85,103
Library	340,973	341,052	328,044
	<u>\$ 5,250,083</u>	<u>\$ 5,244,541</u>	<u>\$ 5,102,722</u>
 Net Taxation	 <u>\$ 9,164,130</u>	 <u>\$ 9,162,471</u>	 <u>\$ 8,619,254</u>

TOWN OF LADYSMITH
SCHEDULE OF FEES & CHARGES
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE V

	Actuals 2015	Budget 2015	Actuals 2014
Licences and fines	\$ 85,957	\$ 79,650	\$ 81,540
Garbage services	638,647	621,750	595,863
General government services	110,514	77,773	124,753
Cemetery services	33,095	30,072	27,630
Recreation services	674,765	632,242	599,304
Permits and Fees	116,344	78,900	72,197
Protective Services	235,418	238,067	234,511
Water Utility Fees	713,268	765,290	713,777
Sewer Utility Fees	791,347	767,278	741,877
	<u>\$ 3,399,355</u>	<u>\$ 3,291,022</u>	<u>\$ 3,191,452</u>

TOWN OF LADYSMITH
CONTINUITY SCHEDULE OF RESERVES & APPROPRIATED EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE VI

(Unaudited)

Restated

	Balance Dec. 31, 2014	Interest Allocated	Contributions	Funding	Balance Dec. 31, 2015
RESERVES					
Tax Sale	\$ 25,430	\$ 264	\$ -	\$ -	\$ 25,694
Perpetual Safety Fund	12,654	132	-	-	12,786
Sale Real Property	-	-	-	-	-
Municipal Office Building	115,000	-	60,000	-	175,000
Amenity Funds	82,549	818	-	10,000	73,367
TOTAL RESERVES	\$ 235,633	\$ 1,214	\$ 60,000	\$ 10,000	\$ 286,847
APPROPRIATED EQUITY - OPERATIONS					
General Operating Fund					
Future Projects	1,135,134	-	691,679	270,964	1,555,849
Equipment	788,967	-	328,070	153,683	963,354
Land & Building	71,235	-	157,360	14,200	214,395
Tax Contingency	107,986	-	-	100,000	7,986
Snow & Ice Removal	30,000	-	-	-	30,000
Infrastructure Deficit	140,140	-	178,039	-	318,179
Multi-Materials BC Rebate	60,800	-	89,040	3,127	146,713
	<u>2,334,262</u>	<u>-</u>	<u>1,444,188</u>	<u>541,974</u>	<u>3,236,476</u>
Water Operating Fund					
Capital Expenditures	778,003	-	151,450	125,545	803,908
MFA Surplus Refunds	524,076	-	-	-	524,076
Total Water Operating Fund	<u>1,302,079</u>	<u>-</u>	<u>151,450</u>	<u>125,545</u>	<u>1,327,984</u>
Sewer Operating Fund					
Capital Expenditures	3,064,935	-	784,996	3,414,009	435,922
MFA Surplus Refunds	606,353	-	5,591	-	611,944
Total Sewer Operating Fund	<u>3,671,288</u>	<u>-</u>	<u>790,587</u>	<u>3,414,009</u>	<u>1,047,866</u>
TOTAL APPROPRIATED EQUITY	\$ 7,307,629	\$ -	\$ 2,386,225	\$ 4,081,528	\$ 5,612,326
TOTAL RESERVES AND APPROPRIATED EQUITY	\$ 7,543,262	\$ 1,214	\$ 2,446,225	\$ 4,091,528	\$ 5,899,173

TOWN OF LADYSMITH
SCHEDULE OF RESTRICTED RESERVES, RESERVES & EQUITY BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE VII

(Unaudited)

	Restricted Reserves	Allocated Reserves	Appropriated Equity	Unappropriated Equity	Capital Funds Equity	Total
General operating fund	\$ -	\$ -	\$ 3,236,476	\$ 875,140	\$ -	\$ 4,111,616
Water operating fund	-	-	1,327,984	511,306	-	1,839,290
Sewer operating fund	-	-	1,047,866	2,346,851	-	3,394,717
Reserve fund	490,270	286,847	-	-	-	777,118
General capital fund	-	-	-	-	127,404	127,404
Water capital fund	-	-	-	-	612,520	612,520
Sewer capital fund	-	-	-	-	17,419	17,419
Total	\$ 490,270	286,847	\$ 5,612,326	\$ 3,733,297	\$ 757,344	\$ 10,880,085

TOWN OF LADYSMITH
SCHEDULE OF GRANT REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE VIII

	<u>Actuals 2015</u>	<u>Budget 2015</u>	<u>Actuals 2014</u>
Operating Grants			
Traffic Fines Revenue	\$ 54,572	\$ 43,000	\$ 31,650
Small Communities	472,265	450,000	295,191
CVRD Recreation	126,890	125,545	125,545
Other	31,728	11,865	16,138
	<u>685,455</u>	<u>630,410</u>	<u>468,524</u>
Capital Grants			
Composting Facility	\$ -	\$ 500,000	\$ -
Energy and Facility Assessment	-	10,000	-
Frank Jameson Energy Upgrades	-	-	353,021
ICBC Sign Incentive	14,830	-	-
Signage Initiative	-	8,400	-
Stz` uminus First Nation Cooperation Protocol	3,849	9,000	19,037
Transfer Beach Parking Lot Railing	6,000	6,000	-
Upper Transfer Beach Improvements	-	6,000	-
Wastewater Treatment Plant Upgrade	1,824,661	3,110,709	2,640,221
Waterfront Area Plan	-	50,000	-
Zoning Bylaw	-	-	23,660
	<u>1,849,340</u>	<u>3,700,109</u>	<u>3,035,939</u>
	<u>\$ 2,534,795</u>	<u>\$ 4,330,519</u>	<u>\$ 3,504,463</u>

TOWN OF LADYSMITH
STATEMENT OF OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE IX

	General Government		Protective Services		Transportation, Garbage & Cemetery Services		Development Services	
	2015	2014	2015	2014	2015	2014	2015	2014
REVENUE								
Tax	\$ 7,622,005	\$ 7,188,113	-	-	-	-	-	-
Fees & Charges	43,014	61,945	400,413	323,687	635,876	632,516	102,522	62,561
Investment income & MFA Refunds	176,832	127,922	-	-	-	-	-	-
Penalty & Interest on tax	123,546	123,987	-	-	-	-	-	-
Grants	477,748	312,515	54,572	31,650	23,194	8,836	8,436	24,091
Donations & contributed property	-	-	-	-	48,790	107,082	-	14,327
Gain (loss) on foreign exchange	131,994	95,762	-	-	-	-	-	-
Gain (loss) on disposal	153,676	(5,000)	-	-	(20,861)	(7,281)	-	-
Development fees	-	-	-	-	108,075	108,075	-	3,550
Local area improvements	-	-	-	-	-	-	-	-
Gas tax fund utilized	-	-	-	-	132,702	63,000	-	-
Total revenue	8,728,816	7,905,242	454,985	355,337	927,776	912,228	110,958	104,529
EXPENSES								
Contracted Services	412,266	268,542	1,034,050	982,236	633,798	580,734	123,103	182,456
Grants In Aid	100,250	98,156	11,000	11,000	-	-	-	-
Insurance	57,060	63,494	24,803	25,650	3,304	7,756	1,360	-
Interest	5,397	164	111,766	117,144	32,524	38,172	-	-
Materials & Supplies	36,567	34,475	80,549	63,294	141,790	119,298	6,103	7,049
Utilities & Telephone	18,203	18,662	47,739	46,967	136,773	144,910	6,639	6,160
Wages & Benefits	1,537,277	1,432,762	383,637	345,527	701,923	810,731	366,143	359,036
Other	(103,477)	134,334	43,996	44,146	(16,192)	108,629	13,038	6,198
Amortization	206,529	190,066	164,024	169,332	844,004	841,019	-	-
Total expenses	2,270,072	2,240,654	1,901,564	1,805,295	2,477,923	2,651,249	516,386	560,899
Surplus (Deficit)	\$ 6,458,744	\$ 5,664,588	\$ (1,446,579)	\$ (1,449,958)	\$ (1,550,147)	\$ (1,739,021)	\$ (405,428)	\$ (456,370)

TOWN OF LADYSMITH
STATEMENT OF OPERATIONS BY SEGMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE IX -CONTINUED

Recreation & Culture Services		Parks Operations Services		Sewer Operations Services		Water Operations Services		Total Actual	Total Actual
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
-	-	-	-	\$ 964,365	\$ 962,751	\$ 577,760	\$ 468,390	\$ 9,164,130	\$ 8,619,254
712,913	655,089	-	-	791,347	741,877	713,268	713,777	3,399,353	3,191,452
-	-	-	-	2,920	-	-	2,772	179,752	130,693
-	-	-	-	-	-	-	-	123,546	123,987
141,184	487,151	5,000	-	1,824,661	2,640,221	-	-	2,534,795	3,504,463
73,711	10,500	110,963	8,000	-	-	8,450	3,133	241,914	143,043
-	-	-	-	-	-	-	-	131,994	95,762
-	(23,549)	-	-	16,585	-	15,560	-	164,961	(35,830)
-	-	-	-	-	-	-	-	108,075	111,625
-	-	-	-	-	8,922	-	-	-	8,922
10,777	192,674	155,885	6,011	-	-	-	-	299,363	261,684
938,585	1,321,864	271,847	14,011	3,599,878	4,353,771	1,315,038	1,188,072	16,347,884	16,155,054
146,226	123,047	41,747	25,128	106,434	93,091	335,078	193,539	2,832,702	2,448,773
-	-	-	-	-	-	-	-	111,250	109,156
35,037	43,087	5,478	-	12,329	13,899	3,861	4,353	143,232	158,239
743	712	-	-	19,462	(1,263)	32,041	33,040	201,933	187,968
131,336	105,344	100,537	85,655	109,228	97,799	86,797	36,198	692,907	549,112
138,627	138,689	5,014	11,569	60,850	59,659	11,628	8,643	425,473	435,259
1,626,835	1,638,725	384,944	373,228	358,628	318,913	394,910	348,105	5,754,297	5,627,026
81,302	74,975	99,159	89,106	163,158	50,624	140,056	27,447	421,040	535,459
227,632	218,246	257,448	251,408	444,265	441,733	368,255	324,244	2,512,157	2,436,048
2,387,738	2,342,825	894,327	836,094	1,274,354	1,074,455	1,372,626	975,569	13,094,990	12,487,040
\$ (1,449,153)	\$ (1,020,961)	\$ (622,479)	\$ (822,083)	\$ 2,325,524	\$ 3,279,316	\$ (57,588)	\$ 212,503	\$ 3,252,894	\$ 3,668,014

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE X

	<u>Land</u>		<u>Land Improvements</u>		<u>Buildings</u>		<u>Vehicle Furniture & Equipment</u>		<u>Transportation</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
COST									
Opening Balance	\$ 8,566,085	\$ 8,566,085	\$ 7,960,932	\$ 7,776,566	\$ 19,684,792	\$ 17,719,021	\$ 5,705,958	\$ 5,542,685	\$ 25,876,555
Add: Additions	716,098	-	172,298	184,366	457,394	1,988,628	599,622	230,549	315,628
Less: Disposals	-	-	14,582	-	-	22,857	210,986	67,276	20,613
Less: Write-downs	-	-	-	-	-	-	-	-	-
Closing Balance	<u>9,282,183</u>	<u>8,566,085</u>	<u>8,118,648</u>	<u>7,960,932</u>	<u>20,142,186</u>	<u>19,684,792</u>	<u>6,094,594</u>	<u>5,705,958</u>	<u>26,171,570</u>
ACCUMULATED AMORTIZATION									
Opening Balance	-	-	2,528,342	2,298,880	4,458,227	3,970,876	3,343,537	3,129,672	13,543,624
Add: Amortization	-	-	229,546	229,462	535,958	492,230	277,599	271,507	633,515
Less: Write-downs	-	-	-	-	-	-	-	-	-
Less: Disposals	-	-	14,582	-	-	4,879	177,309	57,642	20,461
Closing Balance	<u>-</u>	<u>-</u>	<u>2,743,306</u>	<u>2,528,342</u>	<u>4,994,185</u>	<u>4,458,227</u>	<u>3,443,827</u>	<u>3,343,537</u>	<u>14,156,678</u>
Net Book Value	<u>\$ 9,282,183</u>	<u>\$ 8,566,085</u>	<u>\$ 5,375,342</u>	<u>\$ 5,432,590</u>	<u>\$ 15,148,001</u>	<u>\$ 15,226,565</u>	<u>\$ 2,650,767</u>	<u>\$ 2,362,421</u>	<u>\$ 12,014,892</u>

Included in the tangible capital assets are leased and financed assets with a total cost of \$931,236 - (2014 - \$931,236) and accumulated amortization of \$185,490 - (2014 - \$144,607)

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE X - CONTINUED

Linear Infrastructure

Transportation	Sanitary Sewer		Storm		Water		Assets Under Construction		Total	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
\$ 25,543,068	\$ 19,996,796	\$ 19,996,796	\$ 8,123,714	\$ 7,938,726	\$ 16,374,424	\$ 15,908,724	\$ 3,755,487	\$ 2,395,942	\$ 116,044,743	\$ 111,387,613
333,487	56,962	-	70,422	201,939	80,015	465,700	9,123,785	2,734,450	11,592,224	6,139,119
-	-	-	1,020	16,951	3,989	-	33,024	1,374,905	284,214	1,481,989
-	-	-	-	-	-	-	-	-	-	-
25,876,555	20,053,758	19,996,796	8,193,116	8,123,714	16,450,450	16,374,424	12,846,248	3,755,487	127,352,752	116,044,743
12,935,018	5,719,947	5,286,007	1,974,264	1,869,229	4,313,218	4,020,252	-	-	35,881,159	33,509,934
608,606	427,006	433,940	109,782	107,634	298,751	292,966	-	-	2,512,157	2,436,345
-	-	-	-	-	-	-	-	-	-	-
-	-	-	689	2,599	2,964	-	-	-	216,005	65,120
13,543,624	6,146,953	5,719,947	2,083,357	1,974,264	4,609,005	4,313,218	-	-	38,177,311	35,881,159
\$ 12,332,931	\$ 13,906,805	\$ 14,276,849	\$ 6,109,759	\$ 6,149,450	\$ 11,841,445	\$ 12,061,206	\$ 12,846,248	\$ 3,755,487	\$ 89,175,441	\$ 80,163,584