



TOWN OF LAKE COWICHAN
CONSOLIDATED FINANCIAL STATEMENTS
(Audited)
DECEMBER 31, 2019

Town of Lake Cowichan
Consolidated Financial Statements
For the Year Ended December 31, 2019

Independent Auditor's Report

Consolidated Financial Statements

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Independent Auditor's Report

To the Mayor and Council of the Town of Lake Cowichan:

Opinion

We have audited the consolidated financial statements of the Town of Lake Cowichan (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, accumulated surplus, changes in net financial assets and cash flows 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, 2019, and the results of its consolidated operations and its consolidated 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.

Other Information

Management is responsible for the other information, consisting of the annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

Duncan, British Columbia

May 6, 2020

MNP LLP

Chartered Professional Accountants

Town of Lake Cowichan
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and short term deposits (Note 2)	\$ 11,964,924	\$ 11,122,156
Accounts receivable (Note 3)	552,807	1,742,049
Redeemable Tax Sale Properties	7,692	7,392
	12,525,423	12,871,597
FINANCIAL LIABILITIES		
Accounts payable (Note 4)	311,243	1,144,296
Wages payable	36,420	27,680
Future payroll obligations (Note 5)	334,269	314,143
Deferred revenues and deposits (Note 6)	263,042	249,370
Community works fund (Note 7)	1,896,728	1,493,147
Restricted Revenues (Note 8)	1,595,542	1,510,683
Tax Sale Deposits	7,692	-
Municipal Finance Authority Loans (Note 9)	728,017	659,712
	5,172,953	5,399,031
NET FINANCIAL ASSETS	7,352,470	7,472,566
NON FINANCIAL ASSETS		
Inventory	65,080	55,542
Prepaid items	107,348	53,247
Tangible capital assets (Note 10)	32,000,794	30,619,464
	32,173,222	30,728,253
ACCUMULATED SURPLUS (Note 11)	\$ 39,525,692	\$ 38,200,819
Commitments and Contingencies (Note 12)		
Subsequent Event (Note 16)		

See accompanying notes to the Consolidated Financial Statements



Ronnie Gill, CPA, CGA
 Director of Finance

Town of Lake Cowichan
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2019

	Budget		
	2019	2019	2018
	(Note 14)		
REVENUES			
Taxation and grants-in-lieu of taxes (Schedule I)	\$ 2,201,881	\$ 2,201,626	\$ 2,126,980
Government grants and transfers (Schedule II)	451,900	494,157	477,193
Sales of services (Schedule III)	2,957,317	3,061,680	3,062,347
Return on investments	30,000	157,578	131,001
Grants and Other (Schedule II)	6,160,075	264,370	3,689,215
Gain on disposal of tangible capital assets	-	7,815	-
	<u>11,801,173</u>	<u>6,187,226</u>	<u>9,486,736</u>
EXPENSES			
General government services	624,100	596,074	599,436
Protective services	528,100	790,536	615,987
Public Works - transportation	497,000	593,459	537,916
Garbage and Recycling Services	402,100	390,275	395,405
Parks and Recreational Services (Schedule IV)	939,400	1,056,687	1,117,418
Sewer services	461,000	524,573	461,740
Water services	688,900	910,749	632,883
	<u>4,140,600</u>	<u>4,862,353</u>	<u>4,360,785</u>
SURPLUS FOR THE YEAR	<u>7,660,573</u>	<u>1,324,873</u>	<u>5,125,951</u>
ACCUMULATED SURPLUS			
Beginning of year	38,200,819	38,200,819	33,074,868
ACCUMULATED SURPLUS, end of year	<u>\$ 45,861,392</u>	<u>\$ 39,525,692</u>	<u>\$ 38,200,819</u>

See accompanying notes to the Consolidated Financial Statements

Town of Lake Cowichan
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2019

	2019	2018
OPERATIONS		
Surplus for the year	\$ 1,324,873	\$ 5,125,951
Non-cash charges to operations		
Amortization	1,002,407	798,814
Gain on disposal of tangible capital assets	(7,815)	-
Cash from Operations	2,319,465	5,924,765
CHANGE IN WORKING CAPITAL BALANCES		
Accounts receivable	1,189,242	1,130,395
Inventory	(9,538)	(1,432)
Prepaid items	(54,101)	15,150
Redeemable Tax Sale Properties	(300)	33,070
Accounts payable	(833,053)	(106,252)
Wages payable	8,740	2,431
Future payroll obligations	20,126	(103,446)
Deferred revenue	13,672	(63,452)
Community works fund	403,581	208,414
Restricted Revenues	84,859	62,667
Tax sale deposits	7,692	-
Cash provided by operating transactions	3,150,385	7,102,310
CAPITAL		
Acquisition of tangible capital assets	(2,432,416)	(6,073,376)
Proceeds on disposal of tangible capital assets	56,494	-
	(2,375,922)	(6,073,376)
FINANCING		
Municipal Finance Authority loan payments	(156,695)	(169,077)
Proceeds from borrowing	225,000	-
	68,305	(169,077)
NET CHANGE IN CASH AND SHORT TERM DEPOSITS	842,768	859,857
CASH AND SHORT TERM DEPOSITS, beginning of year	11,122,156	10,262,299
CASH AND SHORT TERM DEPOSITS, end of year	\$ 11,964,924	\$ 11,122,156
Cash and short term deposits:		
Cash	\$ 233,351	\$ 1,726,672
Short term deposits	11,731,573	9,395,484
	\$ 11,964,924	\$ 11,122,156

Interest paid during the year amounted to \$20,192 (2018 - \$20,192).

See accompanying notes to the Consolidated Financial Statements

Town of Lake Cowichan
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2019

	Budget		
	2019	2019	2018
	(Note 14)		
SURPLUS FOR THE YEAR	\$ 7,660,573	\$ 1,324,873	\$ 5,125,951
Amortization of tangible capital assets	-	1,002,407	798,814
Change in inventories and prepaid expenses	-	(63,639)	13,718
Disposal of tangible capital assets	-	48,679	-
Acquisition of tangible capital assets	(10,669,774)	(2,432,416)	(6,073,376)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(3,009,201)	(120,096)	(134,893)
NET FINANCIAL ASSETS, beginning of year	7,472,566	7,472,566	7,607,459
NET FINANCIAL ASSETS, end of year	\$ 4,463,365	\$ 7,352,470	\$ 7,472,566

See accompanying notes to the Consolidated Financial Statements

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

The Town of Lake Cowichan was incorporated under the provisions of the British Columbia Municipal Act in 1944. Its principal activities are the provision of local government services to 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 for these statements. They also provide relevant supplementary information and explanations which cannot be expressed in the consolidated financial statements.

1. Significant Accounting Policies

The consolidated financial statements are prepared by management in accordance with Public Sector Accounting Standards, as recommended by the CPA Canada Public Sector Accounting Board. The following is a summary of the Town's significant policies:

a) Basis of Presentation

The consolidated financial statements reflect the assets, liabilities, reserves, surpluses or deficits, revenues and expenses and financial position of the Town. These consolidated financial statements include the operations of the General, Water, Sewer, Capital and Reserve Funds.

b) Basis of Accounting

Revenue Recognition

Revenue is recorded on the accrual basis and is recorded in the period in which the transaction or event occurred that gave rise to the revenue. Expenses are recorded in the period the goods and services are acquired and a liability is incurred.

Property tax and parcel taxes are recognized in the year levied. User fees including water, sewer and garbage are recognized as revenue in the period to which they relate or when the commodity or service has been received by the user.

Receipts that are restricted by legislation or by an agreement with external parties are recorded as deferred revenues until the qualifying expenses are incurred, at which time revenue is recognized.

The Town recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Town recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized when received.

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

1. Significant Accounting Policies (continued)

Interest and penalties are recognized when earned. Allocations of interest are made to the reserve funds.

Short-term deposits

Short-term deposits are held with the Municipal Finance Authority in the Money Market fund and are carried at cost, which approximates market value.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for us in the provision of services. They have useful lives extending beyond the current year and are not included for sale in the ordinary course of business.

Inventory

Inventory is valued at the lower of cost and net realizable value, determined on a first-in-first-out basis.

Tangible Capital Assets

Tangible capital assets are recorded at cost in the year of acquisition or construction. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

<u>Tangible Capital Asset</u>	<u>Useful Life - Years</u>
Land improvements	15 to 25
Buildings	20 to 50
Equipment and vehicles	5 to 25
Engineering structures	30 to 60
Roads and footbridges	20 to 80
Underground services	20 to 80

Amortization is charged commencing on the date the asset is acquired or available for use. Assets under construction are not amortized until the assets are available for use.

Donated or contributed tangible capital assets are recorded as revenue at the fair market value at the date of receipt.

Financial Instruments

The Town's financial instruments consist of cash and short-term deposits, accounts receivable, accounts payable, deposits, MFA loans and wages payable. The carrying amount of these financial instruments approximates their fair value because they are short term in nature or bear interest at market rates. Unless otherwise noted, it is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

1. Significant Accounting Policies (continued)

Future Payroll Obligations

The Town has adopted PS 3255 of the CPA Canada handbook which requires municipalities to recognize estimated sick leave benefits.

The Town provides sick leave to employees based on their banked sick time and to a maximum of six months of sick leave benefits for non-unionized staff.

The estimated sick leave liability has been calculated by management based on the following assumptions:

- annual inflation rate is 2% (2018 – 2%)
- discount rate is 3.45% (2018 – 3.45%)
- probability of compensated sick leave being used is 50% for management staff and 100% for public works and administration employees.

Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of accrued sick benefits, collectability of accounts receivable, provisions and contingencies. Amortization is calculated using estimated useful life of the tangible capital asset. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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 Lake Cowichan is either directly responsible or accepts the 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, 2019.

At each financial reporting date, the Town reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Town continues to 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. As at December 31, 2019, the Town has not recorded any liability for contaminated sites as no such sites exist.

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

2. Cash and Short-Term Deposits

The restricted statutory reserve funds include, but are not limited to, reserves that can only be used for expenses as permitted by the Development Cost Charges Bylaw and the relevant sections of the *Local Government Act or Community Charter*.

	2019	2018
General cash and short-term deposits	\$ 8,361,713	\$ 6,997,330
Restricted revenues	1,595,542	1,510,683
Capital reserves	2,007,669	2,614,143
	<hr/> \$11,964,924	<hr/> \$11,122,156

3. Accounts Receivable

	2019	2018
Property taxes	\$ 296,768	\$ 351,594
Water trade receivables	56,916	59,211
Sewer trade receivables	47,365	50,303
UBCM Water Treatment Plant grant	-	750,000
UBCM Clean Water and Wastewater grant	-	343,792
Other	151,758	187,149
	<hr/> \$ 552,807	<hr/> \$1,742,049

4. Accounts Payable

	2019	2018
Trade accounts and accrued liabilities	\$ 302,188	\$1,141,283
Regional and local governments	9,055	3,013
	<hr/> \$ 311,243	<hr/> \$1,144,296

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

5. Future Payroll Obligations

	2019	2018
Vacation leave accrual	\$248,834	\$230,374
Sick leave payable	85,435	83,769
	\$334,269	\$314,143

Total sick leave paid out during the year amounted to \$37,832 (2018 - \$29,758).

6. Deferred Revenues and Deposits

	2019	2018
Prepaid property taxes and utilities	\$ 57,948	\$ 45,231
Developers' deposits	141,798	161,798
Other deposits and unearned revenues	63,296	42,341
	\$263,042	\$249,370

7. Community Works Fund

	2019	2018
Balance, beginning of year	\$1,493,147	\$1,284,733
Funds received	377,451	186,534
Funds spent	(4,325)	-
Interest earned	30,455	21,880
Balance, end of year	\$1,896,728	\$1,493,147

Transfer of Federal Gas Tax Revenues is provided by the Government of Canada. Gas tax funds received may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the Community Works Fund agreement administered by the Union of British Columbia Municipalities.

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

8. Restricted Revenues

	2019	2018
Land acquisition	\$ 102,151	\$ 53,068
Parkland dedication	54,986	53,992
Road development charge	387,549	377,965
Sewer development charge	219,503	214,271
Water development charge	831,353	811,387
	\$1,595,542	\$1,510,683

9. Municipal Finance Authority Loans

	Monthly Payment	Expiry Date	2019	2018
Fire hall	\$10,706	March 31, 2020	\$ 459,020	\$ 569,560
Fire truck #6	\$ 3,998	Sept. 30, 2023	214,414	-
Fire truck #10	\$ 3,118	Dec. 31, 2021	54,583	90,152
			\$ 728,017	\$ 659,712
Principal payments:	2020	\$198,825		
	2021	185,796		
	2022	170,950		
	2023	136,709		
	2024	35,737		
		\$728,017		

Interest on loans is charged at a variable rate that is based on the CDOR rate (Canadian dollar offered rate). The variable rate is set periodically by MFA and at December 31, 2019 was 2.5%. Interest paid on the loans during the year amounted to \$16,342 (2018 - \$16,925).

Town of Lake Cowichan
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

10. Tangible Capital Assets

	Opening Balance	Additions	Transfers Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Transfers Disposals	Closing Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Land	\$ 5,354,950	-	(11,396)	\$ 5,343,554	\$ -	\$ -	-	\$ -	\$ 5,343,554	\$ 5,354,950
Land improvements	1,989,610	-	-	1,989,610	96,366	85,256	-	181,622	1,807,988	1,893,244
Buildings	5,101,570	-	-	5,101,570	2,888,784	152,663	-	3,041,447	2,060,123	2,212,786
Equipment and vehicles	3,382,941	1,186,381	(95,211)	4,474,111	1,777,482	232,444	(57,928)	1,951,998	2,522,113	1,605,459
Engineering structures	3,821,760	585,071	6,652,874	11,059,705	848,014	202,637	-	1,050,651	10,009,054	2,973,746
Roads and services	7,651,243	-	-	7,651,243	2,712,807	169,336	-	2,882,143	4,769,100	4,938,436
Underground services	7,174,333	316,698	45,692	7,536,723	2,622,958	160,071	-	2,783,029	4,753,694	4,551,375
Construction in Progress	7,089,468	344,266	(6,698,566)	735,168	-	-	-	-	735,168	7,089,468
	\$41,565,875	\$2,432,416	(106,607)	\$43,891,684	\$10,946,411	\$1,002,407	(57,928)	\$11,890,890	\$32,000,794	\$30,619,464

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

11. Accumulated Surplus

The accumulated surplus consists of surpluses and reserves as shown below:

Surpluses	2019	2018
Invested in capital assets	\$31,272,777	\$29,959,752
Operating surplus	6,245,246	5,626,924
	<hr/> 37,518,023	<hr/> 35,586,676
Reserves		
Capital equipment	3,835	3,766
Fire equipment	12,980	423,171
Fire Hall	195,512	191,979
Municipal Hall	951,393	885,101
Public Works equipment	790,224	1,059,808
Parks Capital Improvement	26,257	23,346
Transportation - Roads	17,176	16,866
Sewer General	1,739	1,707
Water General	8,553	8,399
	<hr/> 2,007,669	<hr/> 2,614,143
	<hr/> \$39,525,692	<hr/> \$38,200,819

12. Commitments and Contingencies

a.) 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 the 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, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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 Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

12. Commitments and Contingencies (continued)

The most recent valuation for the Municipal Pension Plan as at December 31, 2018 indicated a \$2.866 million funding surplus for the basic pension benefits on a going concern basis.

The Town of Lake Cowichan paid \$99,746 (2018 - \$100,821) for employer contributions while employees contributed \$88,070 (2018 - \$83,766) to the Plan in fiscal 2019.

The next valuation will be as at December 31, 2021 with results available in 2022.

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 the individual employers participating in the plan.

b.) Commitments

In 2003, the Town received from the Province of B.C. title to lands on which the Cowichan Lake Education Centre and the Lakeview Park campground are located. In exchange for the land, the Town agreed to extend and provide municipal services to the adjacent lands at the Town's cost. These future costs cannot be determined until subdivision applications are made at which point engineered estimates shall be required.

In October 2019 the Town entered into a contract with Archie Johnstone Plumbing and Heating for installation of the soda ash system at the water treatment plant at a cost of \$115,614 plus applicable taxes.

c.) Contingent Liability

Two claims are outstanding against the Town as at December 31, 2019. In the opinion of management and legal counsel, the outcome of the claim, now pending, is not determinable. As the outcome is 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 losses will be charged to the operations in the year of resolution.

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

12. Commitments and Contingencies (continued)

d.) Reciprocal Insurance Exchange Agreement

The Municipality 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 Municipality is assessed a premium and specific deductible for its claims based on population. The obligation of the Municipality 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 Municipality irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other Subscribers against liability losses and costs which the other Subscribers may suffer.

13. Funds Held in Trust

These funds account for assets that must be administered as directed by statute and are for the columbaria constructed in 2018. In accordance with PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the Town’s Consolidated Financial Statements. A summary of these assets are shown below:

	2019	2018
Cash held in trust	\$ 2,690	\$ 1,171
Care Fund equity	2,690	1,171

14. Budget Amounts

Financial Plan Bylaw 1020-2019 was adopted by Council on May 14, 2019. The Financial Plan is prepared on a cash basis with anticipated capital expenditures rather than amortization. Transfers to and from reserves and surplus are treated as revenue or expense. The financial plan is the basis for the budget figures presented in these financial statements. Below is a reconciliation of the surplus on the financial plan to the surplus on the consolidated financial statements as presented:

	General Fund	Sewer Utility	Water Utility	Consolidated Funds
Financial Plan Bylaw surplus	\$ -	\$ -	\$ -	\$ -
Transfers to (from) surplus	46,004	(1,053,000)	(503,005)	(1,510,001)
Add: Capital expenditures	6,414,774	3,435,000	820,000	10,669,774
Add: Principal debt repayments	175,800	-	-	175,800
Less: Proceeds from debt	-	-	-	(300,000)
Less: Transfers from reserve funds	(1,375,000)	-	-	(1,375,000)
Adjusted Annual Surplus	\$ 5,261,578	\$ 2,382,000	\$ 316,995	\$ 7,660,573

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

15. Consolidated Segment Reporting

The Town of Lake Cowichan provides a variety of services to its residents. The segment disclosures reported on Schedules V and VI, are grouped and reported under services areas/departments that are responsible for the provision of services. They are as follows:

General Government – comprises of all administrative services including corporate administration, planning and zoning, property tax and utility levies and all aspects of financial services and reporting.

Protective Services – includes fire and rescue, building inspection, bylaw enforcement and emergency and public health services.

Public Works/Transportation – comprises of general public works, roads and construction, storm drainage, facility management, fleet operations and engineering planning.

Garbage and Recycling – provision of residential curbside garbage collection and recycling services.

Parks and Recreation – includes the planning, management and maintenance of parks, trails and green spaces and includes the operations of Lakeview Park Campground and the Cowichan Lake Education Centre.

Sewer/Water Services – comprises of planning, design, construction, operations and maintenance of the Town's infrastructure of water distribution and sewer collection systems.

Reserve Funds – reports interest income on reserve funds.

16. Subsequent Event

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian and provincial governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Town of Lake Cowichan as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. The Cowichan Lake Education Centre and the Lakeview Park Campground operations have been closed. While the extent of the impact is unknown, we anticipate this outbreak may cause supply chain disruptions, staff shortages, and increased government regulations, all of which will negatively impact the Town's business and financial condition.

17. Comparative Amounts

The prior years' figures have been restated, where applicable, to conform to the current presentation.

Town of Lake Cowichan
For the Year Ended December 31, 2019
Schedule I

Taxation and Grants-in-Lieu of Taxes

	Budget		
	2019	2019	2018
Property taxes	\$ 2,144,601	\$ 2,146,518	\$ 2,071,964
Utilities	50,380	49,637	48,184
Federal Grants-in-lieu	6,900	5,471	6,832
	<u>2,201,881</u>	<u>2,201,626</u>	<u>2,126,980</u>
Collections for other Governments			
British Columbia Assessment Authority	24,758	24,779	22,362
Cowichan Valley Regional District	1,104,880	1,104,880	998,847
Municipal Finance Authority	122	122	104
Police Tax Levy	166,480	166,630	156,542
Regional Hospital District	309,247	309,247	270,655
School Tax Levy	1,037,434	1,036,859	959,462
Vancouver Island Regional Library	133,729	133,728	134,872
	<u>2,776,650</u>	<u>2,776,245</u>	<u>2,542,844</u>
Total Property Taxes and Collections	4,978,531	4,977,871	4,669,824
Less: transfers to other Governments	2,776,650	2,776,245	2,542,844
Net Taxation Revenue	<u>\$ 2,201,881</u>	<u>\$ 2,201,626</u>	<u>\$ 2,126,980</u>

Town of Lake Cowichan
For the Year Ended December 31, 2019
Schedule II

Government Grants and Transfers

	Budget		
	2019	2019	2018
Small Community Protection Grant	\$ 450,000	\$ 492,220	\$ 475,256
Other	1,900	1,937	1,937
	<u>451,900</u>	<u>494,157</u>	<u>477,193</u>

Grants and Other

BC Hydro	-	500	-
Community Works Funds	400,000	4,325	-
Community Connections	1,323,000	-	-
Fire smart Grant	50,000	3,200	500
MIABC Grant	-	-	6,755
Municipal Hall Upgrade	2,000,000	-	-
Other	5,000	9,000	4,125
Summer Student grants	-	7,762	4,500
Sewer Treatment Facility	2,200,000	-	-
UBCM - Water Treatment Plant	-	-	3,248,687
Water and Wastewater grants	182,075	239,583	343,792
Western Economic Diversification	-	-	80,856
	<u>\$ 6,160,075</u>	<u>\$ 264,370</u>	<u>\$ 3,689,215</u>

Town of Lake Cowichan
For the Year Ended December 31, 2019
Schedule III

Sales of services

	Budget		
	2019	2019	2018
GENERAL REVENUE FUND			
Garbage fees	\$ 383,500	\$ 386,875	\$ 380,404
Cowichan Lake Education Centre	417,000	346,880	388,483
Lakeview Park fees	191,000	205,460	200,035
CVRD fire protection	321,847	312,469	272,682
Fire service	-	39,973	49,272
Administration recoveries	3,120	3,204	3,118
Public Works revenues	-	6,393	3,060
Lease revenues	61,700	64,526	61,446
Penalties and interest on taxes	60,000	63,177	63,046
	1,438,167	1,428,957	1,421,546
Licences and Permits			
Business licences	18,000	18,275	21,800
Building permit and fees	24,000	61,072	68,028
Dog licences and fines	3,200	3,855	3,590
Other	7,130	31,722	24,352
	52,330	114,924	117,770
WATERWORKS UTILITY REVENUE FUND			
User fees	575,000	589,747	576,804
Parcel tax	238,420	238,420	236,880
Penalties and interest	5,400	5,829	5,410
Connection and service charges	5,000	12,850	43,534
	823,820	846,846	862,628
SEWER UTILITY REVENUE FUND			
User fees	470,000	485,005	476,292
Parcel tax	166,500	166,700	165,800
Penalties and interest	4,500	4,857	4,538
Connection and service charges	2,000	14,391	13,773
	643,000	670,953	660,403
	\$ 2,957,317	\$ 3,061,680	\$ 3,062,347

Town of Lake Cowichan
For the Year Ended December 31, 2019
Schedule IV

Parks and Recreational Services Expenses

	Budget		
	2019	2019	2018
GENERAL REVENUE FUND			
Cowichan Lake Education Centre	\$ 485,000	\$ 501,523	\$ 583,845
Information Centre	22,000	18,415	19,049
Lakeview Park	178,300	192,250	185,110
Parks and playgrounds	222,600	318,041	304,684
Buildings and other	31,500	26,458	24,730
	\$ 939,400	\$ 1,056,687	\$ 1,117,418

Town of Lake Cowichan
For the Year Ended December 31, 2019
Schedule V

Consolidated Segment Disclosures

	General Government	Protective Services	Public Works Transportation	Garbage & Recycling	Parks and Recreation	Sewer Services	Water Services	Reserve	2019 Consolidated	2019 Budget
REVENUE										
Taxation & grants in lieu of taxes	\$ 2,201,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,201,626	\$ 2,201,881
Government grants and transfers	494,157	-	-	-	-	-	-	-	494,157	451,900
Utility charges and parcel taxes	-	-	-	386,875	-	666,096	841,017	-	1,893,988	1,840,420
Sales of services and fees	245,831	312,469	6,393	-	552,340	-	-	-	1,117,033	1,116,897
Interest and penalties	109,498	-	-	-	-	4,857	5,829	48,080	168,264	30,000
Grants	13,825	3,200	-	-	7,762	-	239,583	-	264,370	6,160,075
Other	7,815	39,973	-	-	-	-	-	-	47,788	-
	3,072,752	355,642	6,393	386,875	560,102	670,953	1,086,429	48,080	6,187,226	11,801,173
EXPENSES										
Administration	(268,700)	13,000	(194,500)	43,100	43,100	157,000	207,000	-	-	-
Audit and legal	41,248	-	-	-	-	-	-	-	41,248	56,000
Advertising, promotion and rebates	6,538	751	685	-	350	-	-	-	8,324	15,100
Conferences, travel and memberships	38,495	32,968	491	-	-	1,684	1,103	-	74,741	86,200
Contracted services	68,939	100,242	47,993	110,221	80,357	71,390	31,323	-	510,465	585,200
Discounts	-	-	-	24,101	-	35,635	43,405	-	103,141	103,500
Fuel	-	8,072	44,199	-	-	-	-	-	52,271	12,100
Insurance	40,371	11,548	31,801	-	116	-	-	-	83,836	111,900
Interest	3,928	16,342	-	-	-	-	-	-	20,270	25,300
Materials	28,659	246,557	87,870	5,165	123,095	29,213	56,500	-	577,059	434,550
Telephone	10,336	5,526	6,528	-	10,516	-	3,083	-	35,989	34,600
Utilities	10,595	24,115	87,308	-	58,336	36,337	80,735	-	297,426	311,700
Wages, benefits and equipment charges	615,665	180,631	165,071	207,688	550,523	96,027	239,571	-	2,055,176	2,364,450
	596,074	639,752	277,446	390,275	866,393	427,286	662,720	-	3,859,946	4,140,600
Amortization	-	150,784	316,013	-	190,294	97,287	248,029	-	1,002,407	-
TOTAL EXPENSES	596,074	790,536	593,459	390,275	1,056,687	524,573	910,749	-	4,862,353	4,140,600
SURPLUS	\$ 2,476,678	\$ (434,894)	\$ (587,066)	\$ (3,400)	\$ (496,585)	\$ 146,380	\$ 175,680	\$ 48,080	\$ 1,324,873	\$ 7,660,573

Town of Lake Cowichan
For the Year Ended December 31, 2018
Schedule VI

Consolidated Segment Disclosures

	General Government	Protective Services	Public Works Transportation	Garbage & Recycling	Parks and Recreation	Sewer Services	Water Services	Reserve	2018 Consolidated	2018 Budget
REVENUE										
Taxation & grants in lieu of taxes	\$ 2,126,980	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,126,980	\$ 2,126,663
Government grants and transfers	477,193	-	-	-	-	-	-	-	477,193	436,900
Utility charges and parcel taxes	-	-	-	380,404	-	655,865	857,218	-	1,893,487	1,816,880
Services and fees	182,336	272,682	3,060	-	588,518	-	-	-	1,046,596	986,181
Interest and penalties	155,424	-	-	-	-	4,538	5,410	38,621	203,993	105,100
Grants	10,880	-	1,519	-	84,337	-	3,592,479	-	3,689,215	7,204,916
Other	-	49,272	-	-	-	-	-	-	49,272	7,130
	2,952,813	321,954	4,579	380,404	672,855	660,403	4,455,107	38,621	9,486,736	12,683,770
EXPENSES										
Administration	(241,700)	13,000	(168,400)	42,200	41,900	140,900	172,100	-	-	-
Audit and legal	42,774	-	-	-	-	-	-	-	42,774	41,000
Advertising, promotion and rebates	4,726	-	971	-	1,137	100	100	-	7,034	15,200
Conferences, travel and memberships	42,151	27,860	639	-	-	322	169	-	71,141	83,200
Contracted services	67,066	82,972	55,507	104,303	123,527	36,836	53,453	-	523,664	520,200
Discounts	-	-	-	24,540	-	35,451	42,938	-	102,929	102,300
Fuel	-	8,478	44,925	-	-	-	-	-	53,403	11,700
Insurance	91,284	10,602	25,660	-	213	-	-	-	127,759	86,600
Interest	3,190	16,925	-	-	-	-	-	-	20,115	17,300
Materials	28,038	117,082	67,100	7,199	139,102	29,213	35,491	-	423,225	407,510
Telephone	10,536	5,166	5,884	-	10,405	-	764	-	32,755	34,200
Utilities	9,606	24,712	86,259	-	64,291	36,181	44,128	-	265,177	280,700
Wages, benefits and equipment charges	540,951	182,408	107,660	217,163	582,682	89,083	172,048	-	1,891,995	2,320,250
	598,622	489,205	226,205	395,405	963,257	368,086	521,191	-	3,561,971	3,920,160
Amortization	814	126,782	311,711	-	154,161	93,654	111,692	-	798,814	-
TOTAL EXPENSES	599,436	615,987	537,916	395,405	1,117,418	461,740	632,883	-	4,360,785	3,920,160
SURPLUS	\$ 2,353,377	\$ (294,033)	\$ (533,337)	\$ (15,001)	\$ (444,563)	\$ 198,663	\$ 3,822,224	\$ 38,621	\$ 5,125,951	\$ 8,763,610