

Town of Lake Cowichan

2017 Annual Report



HEY **LAKE COWICHAN**
IT'S YOUR TIME TO SHINE

STILL STANDING

SPECIAL SCREENING
TUESDAY AUGUST 1, 7PM
LAKETOWN RANCH
8811 Youbou Road, Lake Cowichan, BC

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Photo by Gloria Walker



Mayor Ross Forrest



Mayor and Council

Town Council comprises of the Mayor and four Councillors. Elected by the residents for a four-year term, Mayor and Council provide direction to the Chief Administrative officer and to the operation of the Town through the establishment of policies, bylaws and public consultation.

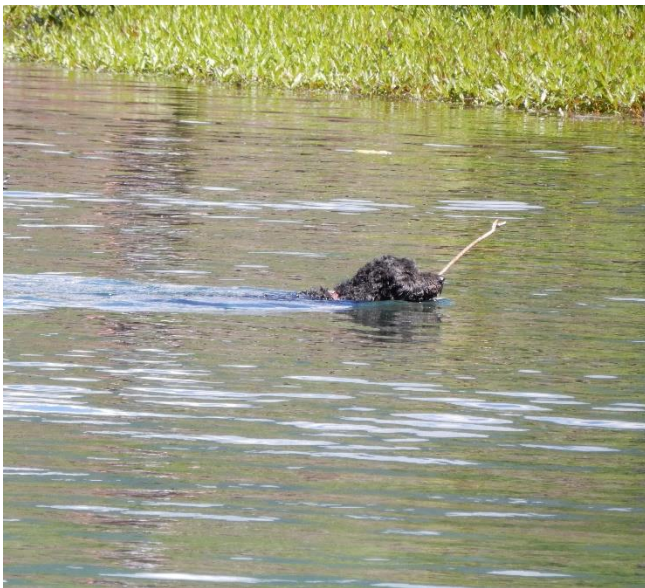
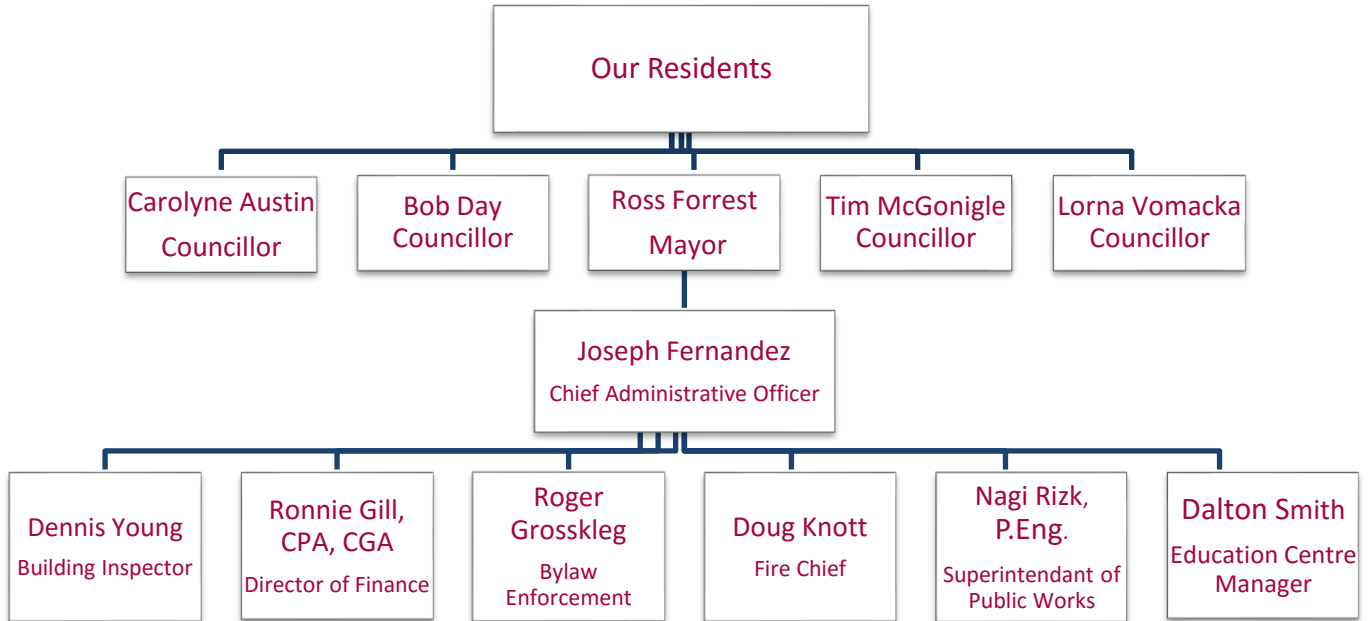
Councillor Carolyne Austin, Councillor Bob K. Day, Councillor Tim McGonigle, Councillor Lorna Vomacka



A winter landscape featuring a snow-covered path in the foreground, a calm lake reflecting the sky, and snow-laden evergreen trees. In the background, there are snow-capped mountains under a blue sky with light clouds. A few houses are visible on the far side of the lake.

Our vision is to create a vibrant, healthy, sustainable community that exists in harmony with the natural environment, enjoy a balanced economy, support all generations and provide the opportunities to satisfy diverse social needs.

Organizational Structure



About the Town of Lake Cowichan



Lake Cowichan is a beautiful and vibrant community of approximately 3,000 people that is centrally located on Vancouver Island. Lake Cowichan is an hours drive from Victoria, British Columbia's capital city.

The Town is located by Cowichan Lake, one of the largest freshwater lakes on Vancouver Island. The Town is a gateway to twenty-six miles of spectacular swimming, boating, hiking, fishing and camping opportunities.

The Cowichan River flows from Cowichan Lake through town. There are numerous hiking trails and nature walks in the area including the Cowichan River Footpath and the Trans Canada Trail.

The Town of Lake Cowichan manages the Education Centre and Lakeview Park campground. Both facilities are located on Cowichan Lake.

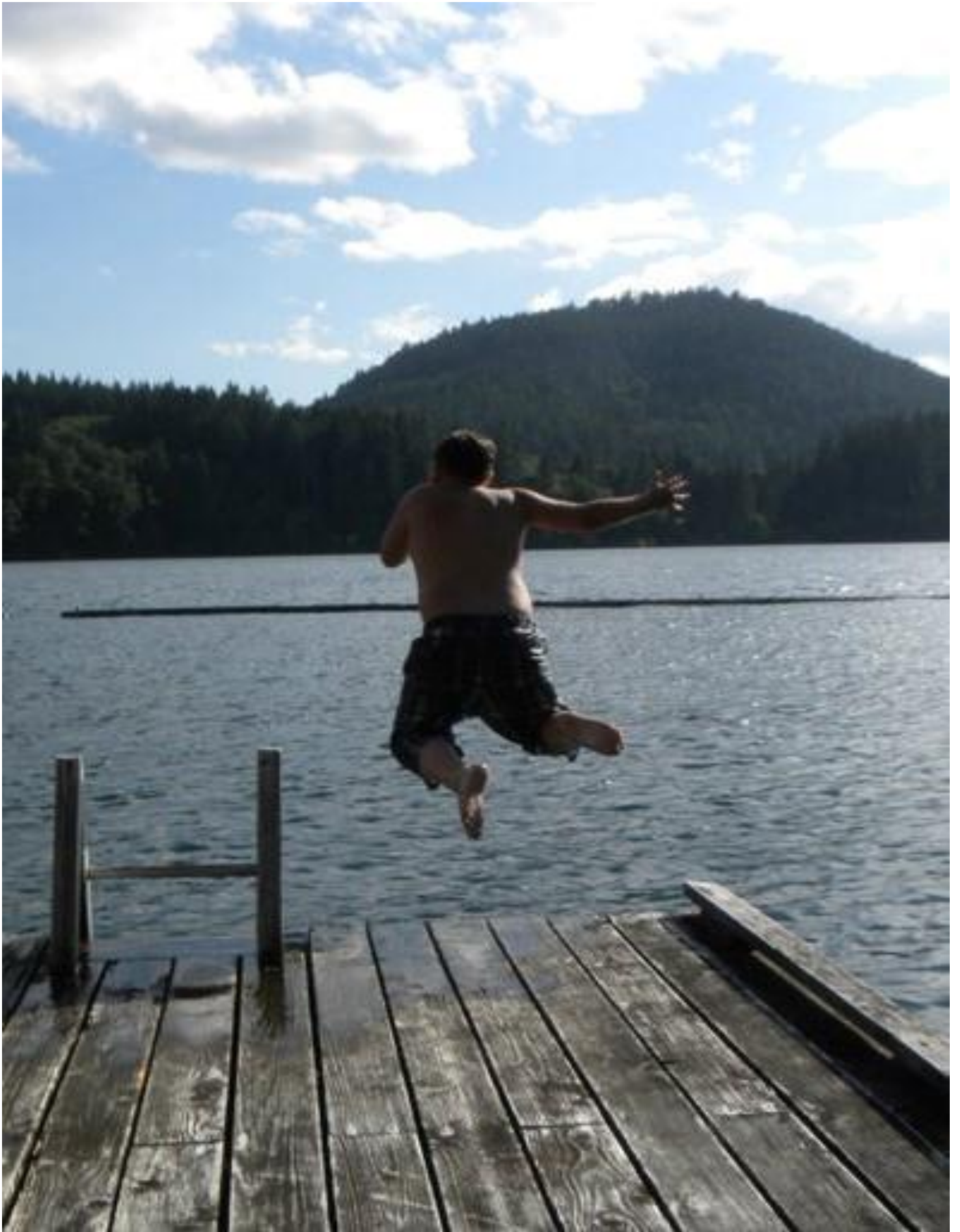
Lake Cowichan Statistics

| | |
|--------------|-----------------------|
| Incorporated | August 19, 1944 |
| Population | 3,226 |
| Elevation | 180 m (590 ft) |
| Coordinates | 48 49'33"N 124 03'1"W |
| Record high | 38.0 C, 100.4 F |
| Record low | 5.3 C, 41.5 F |

Accumulated precipitation 1,016.7 mm
550 feet (168 meters) above sea level

Became the Town of Lake Cowichan -
November 26, 1996

Cowichan Valley Regional District
Cowichan Valley School District 79



Message from the Mayor



As I reflect on 2017, I am pleased to report on the Town's remarkable progress and the steady and manageable growth. We are all witness to the new investments in our community from both the public and private sectors and this bodes well for our future.

In some regards, 2017 has been a year like no other for the Town of Lake Cowichan. The ability to proceed with an unprecedented amount of capital projects just seems to reflect our capacity for aligning critical improvements in an organized manner. These improvements will enhance and secure the needs of our community well into the future. Partnerships are crucial for communities with a limited tax base and we have been extremely fortunate that the senior levels of governments have recognized our growth potential and infrastructure needs that go with that growth. With the assistance of our Federal and Provincial Governments we have had the ability to undertake many projects while

continuing, to update deficiencies in our aging infrastructure. Here is a brief synopsis of some of some of the projects we undertook in 2017:

The largest project, the one that benefits all of us, is the water treatment plant under construction on Indian Road beside the water reservoir. The total project costs will be in excess of six million dollars. The Town received a grant under the Gas Tax Strategic Priorities Fund program for \$5 million towards the water treatment plant. It is imperative that our water quality be of the highest standards.

New water mains were completed on Wilson and Park Road and a new water main is being installed on Greendale Road. These projects were completed with grant funding from the Clean Water and Waste Water Fund.

Phase one of Centennial Park is complete and the two ball fields and soccer pitch will be ready for use in 2018. This project was completed with a \$500,000 grant for the new playing fields provided by the Canada 150 Community Infrastructure Program and was the stimulant we required to move forward with the Centennial Park improvements.

Every citizen plays an important role as we attempt to strengthen our social fabric and community identity. We have a core group of wonderful people whose infectious, positive attitude spreads to others that also desire a community they can be proud of. We are truly blessed with the outstanding individuals who sit on various committees and boards who lend their expertise to the Town. Lake Cowichan is a better place because of the contributions of volunteers to the community. The staff and employees of the Town do an amazing job on the day-to-day operations of the municipality.

Thank you from Council as our success would not be attainable without all of you.

A handwritten signature in black ink that reads "MR Forrest".

Mayor Ross Forrest

Corporate Objectives

Leadership and informed decision-making:

- Ensure timely compliance with directives issued through Council and Committees of Council;
- Reasoned decisions are the outcome of regularly scheduled meetings of Council;
- Using the Official Community Plan as a tool for future planning and development;
- Invite public feedback on municipal services, projects and initiatives.

Excellence in customer service:

- Respond to public complaints in a timely fashion;
- Provide public with access to Council agendas, minutes and bylaws and other relevant information on the municipal website;
- Provide planning, building, inspection, bylaw enforcement and fire protection services;
- Provide emergency fire protection services and promote fire prevention and education programs.

Effective financial reporting and prudent management of assets and resources:

- Provide timely financial reports and updates to the Finance and Administration Committee;
- Keep Council apprised of annual operational and capital expenditure requirements and ensure budget limits are not exceeded;
- Ensure that idle cash is invested for maximum interest returns;
- Ensure inventory listings are current, that capital assets are appropriately protected and that appropriate risk management measures have been undertaken;
- Ensure allocation of adequate reserve funds;
- Ensure adequate financing is available to finance capital projects as budgeted.

Transportation improvements:

- Plan for traffic and road improvements;
- Plan for pedestrian traffic and safety improvements;
- Upgrade and replace transportation infrastructure as required.

Water and sewer utility services improvements:

- Ensure the quality and safety of drinking water supply for its users;
- Ensure sufficient capacity of water for fire-fighting needs;
- Provide adequate garbage, organics and recycling services for all users;
- Ensure adequate collection and treatment capacity for sanitary sewage;
- Meet or exceed Federal and Provincial standards and regulations regarding the quality and quantity of effluent discharged in the Cowichan River;
- Protect natural waterways from contaminants caused by human activities.

Improved parks, playgrounds and trails:

- Budget sufficient funding to ensure parks, playgrounds and recreation facilities are accessible and enjoyable to the public;
- Ensure that the Provincial regulations respecting the Riparian Areas are complied with as development occurs adjacent to them.

Chief Administrative Officer's Report



The financial health of the Town remains good. This is largely due to the Town continuing to coordinate and plan its efforts in implementing much-needed capital and service improvements over the long-term. Much has been accomplished over the last number of years, but there is still much more to be done. A review of this report and the accompanying audited financial statements will help you assess and confirm the state of the municipal finances for the year ending 2017.

The Town has a number of capital works in progress - the new water treatment plant is under construction; Phase 1 of the multi-use outdoor sporting facility at Centennial Park has been substantially completed and the water main upgrades are nearing completion. The Town has and

is accomplishing its capital projects without the benefit of borrowing. To ensure that we avoid debt, we have established appropriate reserve funds and continue to build on those and the surplus funds.

Prioritizing capital projects are a challenge that your elected officials must face given financial constraints and a collective desire to keep taxes low. As funding is not unlimited, Council is focused on undertaking phased improvements to local roads, sidewalks and upgrades to the water, sewer and storm sewer systems through their financial planning that includes austere measures.

The improvement of the physical appearance of the Town continues to be a priority. To encourage physical improvements, Council enacted a revitalization tax exemption bylaw to encourage the renewal of the downtown core in hopes of achieving both economic and environmental objectives. There were plans to upgrade the municipal hall in 2017 but a funding shortfall has delayed that objective. In any case, the Town continues to place important emphasis on seeing that its beautification efforts come to fruition.

The Town has been fortunate that its citizens are, to a great extent, law abiding. Citizens, except for a few, are compliant with the bylaws of the Town. As a result, we are able to limit the outlay of costs in bylaw enforcement.

Special mention must be made of the citizens and volunteers who, through their dedication and hard work and for no remuneration, make this town what it is - a great place to call home. These citizens and volunteers are involved in activities ranging from the river clean-up, riparian rehabilitation and "broom busting" to helping others less fortunate than ourselves or serving countless hours on our committees and the non-profit organizations.

Once again, the dedication and hard work of our staff and employees in ensuring that the service requirements of the residents of Lake Cowichan are satisfactorily met and their concerted involvement in making Lake Cowichan what it is - a progressive, vibrant, healthy and sustainable community - must be noted and commended.

A handwritten signature in black ink, appearing to read "Joseph A. Fernandez". The signature is fluid and cursive, written over a light-colored background.

Joseph A. Fernandez
Chief Administrative Officer



Cowichan Avenue street repaving



Pickle Ball courts on Cowichan Avenue

Administration and Finance

DEPARTMENT HIGHLIGHTS

- Held two Town Hall meetings for public input and consultation;
- Continued to use Town’s facebook page, website, bulletin board, LCS electronic board and the wye entrance sign to provide information to the public;
- Land use agreement signed with the Cowichan Lake Community Garden Society for a five year term;
- Zoning bylaw amendment made to permit columbarium;
- Five-year lease signed with Cowichan Lake District Chamber of Commerce;
- BC Hydro awarded a \$5,855 grant for greening within the Town;
- New software program for the Lakeview Park Campground reservation system;
- Over 500 people were in attendance for the airing of CBC’s show “Still Standing” episode filmed in the Lake Cowichan area at Lake Town Ranch on August 1;
- 150th anniversary was commemorated with a successful, well planned celebration;
- Drafted a Code of Ethics Policy for Council members and municipal staff .

The Town office is the center of the activities of Council, Finance, Public Works, Bylaw Enforcement, Building Inspection, Planning, Lakeview Park and the Cowichan Lake Education Centre. The Chief Administrative Officer (CAO) oversees all divisions and department heads and is also the Corporate Officer of the municipality. The CAO reports directly to the Mayor and Council.

Finance Department is managed by the Director of Finance, who supervises the office staff. The office staff provide administrative support and process accounts receivable, accounts payable, property tax, utility bills, payroll and perform all other day to day functions of the municipal office.



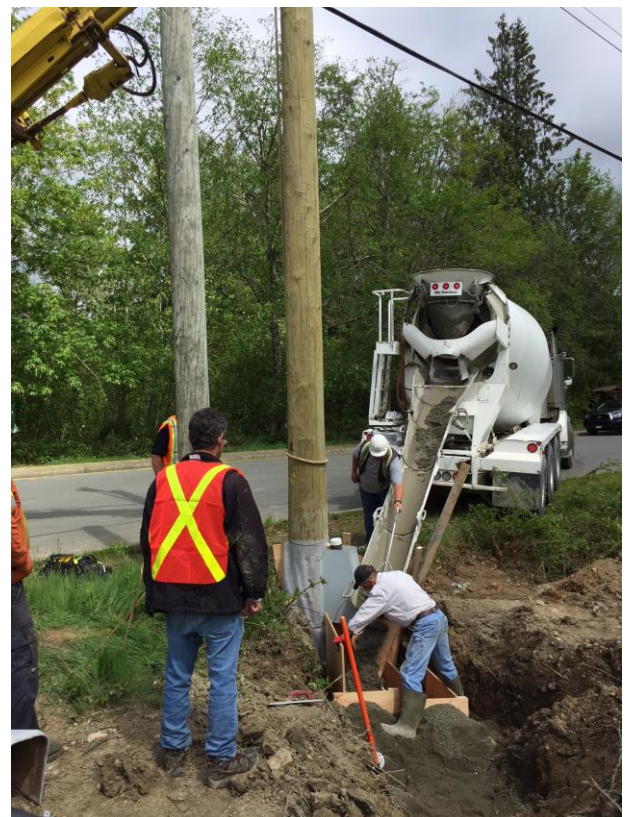
Public Works, Parks and Engineering Services

DEPARTMENT HIGHLIGHTS

- Pickleball courts expanded and resurfaced on Cowichan Avenue;
- Watermain construction completed at Park and Wilson Road;
- Design for watermain at Greendale Road completed and construction tender awarded to Hazelwood Construction for \$685,245;
- Ohtaki footbridge and Greendale Trestle watermain upgrades at the design stage;
- With approval from Ministry of Fisheries, the boat ramp improvements were completed;
- Cowichan Avenue West road paving improvements completed;
- Phase 1 of the Centennial Park base-ball and soccer field almost complete;
- Application has been made under the Strategic Priorities Fund for the second and final phase of the Centennial Park upgrades that includes the following additions to the park: club house, new tennis courts, paved and gravel parking, field lighting, playground and landscaping;
- Landscaping finished at wye entrance;
- New service truck added to vehicle fleet
- Tender and construction of the water treatment awarded to Tritech in the amount of \$5.6 million.

The Department is responsible for the operation, maintenance and capital improvements of roads, parks, water and sewer utility systems that provide our community with:

- Quality water for drinking and adequate water pressure for fire-fighting purposes;
- Adequate collection and treatment facilities for sanitary sewage;
- Adequate drainage of storm water;
- Review of engineering design of proposed subdivisions;
- Collection and disposal of garbage, organics and recyclables; and
- Maintaining roads, sidewalks, curb and gutter.





Boat launch repairs



Centennial Park ballfields and soccer field at various stages of construction



Fire and Rescue Services

Department Highlights

- \$10,000 FireSmart grant approved under the Strategic Wildfire Initiative;
- Two sets of turnout gear and miscellaneous supplies donated to a volunteer fire department in Zihuatanejo, Mexico;
- The Fire Department raised funds for Muscular Dystrophy at the annual ball tournament held father's day week end and at meat draws held at the Legion;
- \$3,165 raised by the fire department for Wildfire Relief on Saturday July 22;
- Community Wildfire Protection Grant of \$21,625;
- Community smoke detector program – install smoke detectors in home at no cost to the homeowner;
- \$500 grant for National Wildfire Protection Day.



The Lake Cowichan Fire Department is comprised of the Fire Chief, thirty volunteer members and one junior member. In addition to the important emergency response requirements, the Fire Department is very active in the community by promoting fire prevention and suppression programs including school education programs.

Through a mutual-aid agreement, the Fire Department assists the Cowichan Valley Regional District with fire protection services in the electoral areas adjacent to the Town.

The Lake Cowichan Fire Department was deployed to assist with fighting wildfires in Cache Creek and Loon Lake. The fire department was also one of only fire departments on Vancouver Island that received National recognition in 2017.





*Wildfire
Community
Preparedness
Day*



Lakeview Park and Education Centre

Lakeview Park remains one of the foremost treasures of the Town. The campground has continued to blossom into one of the most acclaimed attractions for tourists in the area, along with the lake itself. With a picturesque sandy beach and convenient location, the allure of the campground is self-evident. Only a short walk from downtown Lake Cowichan, the attraction is often overflowing with visitors. It presents the ideal weekend destination, often drawing considerable crowds during the hot summer months.

The campground offers hot showers, a protected swimming area, water and electrical hookups, hiking trails, boat moorage and a small children's play area. Lakeview Park is the perfect family destination, often hosting planned events such as movie nights. With a charming beach and scenic mountains bordering the lake, the park provides a fantastic site for both swimming and kayaking. The gradual drop-off from the sandy shoreline presents a safe, optimal area for activities.

Nestled among 42 acres of Douglas fir forest with 600 feet of secluded shoreline on one of Vancouver Island's largest freshwater lakes, the Centre is a full service outdoor learning and conference centre. This centre is strategically located at the West Coast gateway to the majestic landscape of Carmanah-Walbran Provincial Park and the popular Juan de Fuca Marine Trail. It is also a gateway to the spectacular rugged terrain of Clayoquot Sound's Pacific Rim National Park, where hikers and backpackers gather to undertake the challenge of the world-renowned West Coast Trail.

The Centre offers rustic hostel-type facilities which can accommodate up to 100 visitors. It features a central lodge with a large fireplace and dining facility with mixed housing including two log cabins, two motel style units and a sectional dormitory with four bunks in each room and shared washroom facilities.

Staff includes an on-site program coordinator with special outdoor education qualifications, as well as grounds keeping, maintenance, security, housekeeping and food preparation staff, who all work as a team to ensure that each visitor has a rewarding experience.



Director of Finance Report



It is my pleasure to present the annual report for the Town of Lake Cowichan for the year ended December 31, 2017. The report is divided into three sections. The first part introduces the Mayor and Council and describes the Town departments, corporate objectives and department highlights.

The second section contains the Consolidated Audited Financial Statements for the Town of Lake Cowichan for 2017. The last section provides data and other information that may be useful to the readers of this annual report.

This report will provide further analysis of the main activities reported in the audited financial statements. There were three large projects in progress during 2017, all of which were undertaken with grant revenue:

- The upgrades to the water treatment plant, a project to cost over \$6 million - grant revenue received to date and costs incurred in 2017 were \$1,751,313.
- The watermain upgrades at Park Road and Wilson Road were complete. The Greendale Road watermain was in progress at year end while the Ohtaki footbridge and Greendale trestle watermains were in the design stage. Grant revenue received to date was \$545,718.
- The last project was the upgrades to Centennial Park. The fields were complete at year end, however fencing and other components were delayed due to harsh winter weather conditions. Grant revenue received to date was \$419,146 of the total approved grant of \$500,000.

The Statement of Financial Position is a snapshot of all assets, liabilities and surplus for the Town at December 31. This statement shows a small decrease in cash and short-term deposits at December 31, 2017, due to the capital expenditures. The total investment in tangible capital assets (as shown in Note 10) was \$3.66 million. The accounts receivable increased due to grant funding receivable at year end (Note 3 provides details) while the accounts payable increased due to the contract payables at year end. The net financial assets however increased from \$6.5 to \$7.6 million which is a positive indicator of financial health.

The revenues and expenses are summarized on the Statement of Operations and Accumulated surplus. The Statement of Cash Flows shows the use and source of cash from operations. The dollar changes in accounts receivable (\$2,127,757), accounts payable (\$690,442), acquisition of tangible assets (\$3,663,226), and loan repayments are detailed on this statement.

Council strives to improve the infrastructure and, where possible, obtains for grant funding to subsidize the costs of large capital projects. The Town has to be prudent and spend its limited resources in a sustainable and well-planned basis which will serve the Town for many years to come. I look forward to continued improvements and the sustained growth of the Town.

A handwritten signature in black ink, appearing to read 'Ronnie Gill'.

Ronnie Gill, CPA, CGA
Director of Finance





Consolidated Financial Statements

Independent Auditors' Report

To the Mayor and Council of Town of Lake Cowichan:

We have audited the accompanying consolidated financial statements of Town of Lake Cowichan, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus and related schedules, changes in net financial assets and cash flows 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 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 Town of Lake Cowichan as at December 31, 2017 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Duncan, British Columbia

May 8, 2018


Chartered Professional Accountants

Consolidated Statement of Financial Position

As at December 31, 2017

| | 2017 | 2016 |
|--|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash and short term deposits (Note 2) | \$ 10,262,299 | \$ 10,483,389 |
| Accounts receivable (Note 3) | 2,872,444 | 744,687 |
| Redeemable Tax Sale Properties | 40,462 | - |
| | <u>13,175,205</u> | <u>11,228,076</u> |
| FINANCIAL LIABILITIES | | |
| Accounts payable (Note 4) | 1,250,548 | 560,106 |
| Wages payable | 25,249 | 21,115 |
| Future payroll obligations (Note 5) | 417,589 | 383,057 |
| Deferred revenues and deposits (Note 6) | 312,822 | 289,428 |
| Community works fund (Note 7) | 1,284,733 | 1,097,364 |
| Restricted Revenues (Note 8) | 1,448,016 | 1,389,315 |
| Municipal Finance Authority Loans (Note 9) | 828,789 | 1,005,778 |
| | <u>5,567,746</u> | <u>4,746,163</u> |
| NET FINANCIAL ASSETS | <u>7,607,459</u> | <u>6,481,913</u> |
| NON FINANCIAL ASSETS | | |
| Inventory | 54,110 | 51,138 |
| Prepaid items | 68,397 | 58,622 |
| Tangible capital assets (Note 10) | 25,344,902 | 22,431,387 |
| | <u>25,467,409</u> | <u>22,541,147</u> |
| ACCUMULATED SURPLUS (Note 11) | <u>\$ 33,074,868</u> | <u>\$ 29,023,060</u> |
| Commitments and Contingencies (Note 12) | | |

See accompanying notes to the
Consolidated Financial Statements



Ronnie Gill, CPA, CGA
Director of Finance

Consolidated Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2017

| | Budget 2017 (Note 13) | 2017 | 2016 |
|---|-----------------------------|--------------|--------------|
| REVENUES | | | |
| Taxation and grants-in-lieu of taxes (Schedule I) | \$ 2,047,650 | \$ 2,063,061 | \$ 1,982,901 |
| Government grants and transfers (Schedule II) | 436,900 | 471,086 | 457,917 |
| Sales of services (Schedule III) | 2,734,750 | 3,017,817 | 2,803,367 |
| Return on investments | 30,000 | 83,473 | 66,636 |
| Grants and Other (Schedule II) | 9,969,993 | 2,768,842 | 101,408 |
| Gain on disposal of tangible capital assets | - | - | 187,564 |
| | 15,219,293 | 8,404,279 | 5,599,793 |
| EXPENSES | | | |
| General government services | 610,300 | 591,544 | 581,465 |
| Protective services | 460,700 | 637,768 | 563,902 |
| Public Works - transportation | 527,400 | 677,247 | 657,938 |
| Garbage and Recycling Services | 385,300 | 388,605 | 383,491 |
| Parks and Recreational Services (Schedule IV) | 862,300 | 1,073,910 | 1,029,830 |
| Sewer services | 399,600 | 409,630 | 495,974 |
| Water services | 482,260 | 573,767 | 558,297 |
| | 3,727,860 | 4,352,471 | 4,270,897 |
| SURPLUS FOR THE YEAR | 11,491,433 | 4,051,808 | 1,328,896 |
| ACCUMULATED SURPLUS | | | |
| Beginning of year | 29,023,060 | 29,023,060 | 27,694,164 |
| ACCUMULATED SURPLUS, end of year | \$40,514,493 | \$33,074,868 | \$29,023,060 |

See accompanying notes to the Consolidated Financial Statements

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

| | 2017 | 2016 |
|--|----------------------|----------------------|
| OPERATIONS | | |
| Surplus for the year | \$ 4,051,808 | \$ 1,328,896 |
| Non-cash charges to operations: Amortization | 749,711 | 761,792 |
| Gain on disposal of tangible capital assets | - | (187,564) |
| | 749,711 | 574,228 |
| Cash from operations | 4,801,519 | 1,903,124 |
| CHANGE IN WORKING CAPITAL BALANCES | | |
| Accounts receivable | (2,127,757) | 251,651 |
| Inventory | (2,972) | (3,435) |
| Prepaid items | (9,775) | (4,286) |
| Redeemable Tax Sale Properties | (40,462) | 24,563 |
| Accounts payable | 690,442 | 244,432 |
| Tax sale deposits | - | (24,801) |
| Wages payable | 4,134 | 2,765 |
| Future payroll obligations | 34,532 | 20,850 |
| Deferred revenue | 23,394 | 86,013 |
| Community works fund | 187,369 | 185,588 |
| Restricted Revenues | 58,701 | 101,576 |
| Cash provided by operating transactions | 3,619,125 | 2,788,040 |
| CAPITAL | | |
| Acquisition of tangible capital assets | (3,663,226) | (1,041,624) |
| Proceeds on disposal of tangible capital assets | - | 246,065 |
| | (3,663,226) | (795,559) |
| FINANCING | | |
| Proceeds from borrowing | - | 163,178 |
| Municipal Finance Authority Loans | (176,989) | (144,640) |
| Capital lease payments | - | (189,371) |
| | (176,989) | (170,833) |
| NET CHANGE IN CASH AND SHORT TERM DEPOSITS | (221,090) | 1,821,648 |
| CASH AND SHORT TERM DEPOSITS, beginning of year | 10,483,389 | 8,661,741 |
| CASH AND SHORT TERM DEPOSITS, end of year | \$ 10,262,299 | \$ 10,483,389 |
| Cash and short term deposits: | | |
| Cash | \$ 519,963 | \$ 835,013 |
| Short term deposits | 9,742,336 | 9,648,376 |
| | \$ 10,262,299 | \$ 10,483,389 |

Interest paid during the year amounted to \$16,323 (2016 - 21,517).

See accompanying notes to the Consolidated Financial Statements

Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2017

| | Budget 2017 (Note 13) | 2017 | 2016 |
|--|-----------------------------|--------------|--------------|
| SURPLUS FOR THE YEAR | \$ 11,491,433 | \$ 4,051,808 | \$ 1,328,896 |
| Amortization of tangible capital assets | - | 749,711 | 761,792 |
| Change in inventories and prepaid expenses | - | (12,747) | (7,722) |
| Acquisition of tangible capital assets | (12,878,354) | (3,663,226) | (1,041,624) |
| Disposal of tangible capital assets | - | - | 58,500 |
| INCREASE IN NET FINANCIAL ASSETS | (1,386,921) | 1,125,546 | 1,099,842 |
| NET FINANCIAL ASSETS, beginning of year | 6,481,913 | 6,481,913 | 5,382,071 |
| NET FINANCIAL ASSETS, end of year | \$ 5,094,992 | \$ 7,607,459 | \$ 6,481,913 |

See accompanying notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2017

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.

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.

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

1. Significant Accounting Policies (continued)

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, is amortized on a straight line basis over the estimated useful life of the assets as follows:

| | |
|------------------------|----------------|
| Land improvements | 15 years |
| Buildings | 20 to 40 years |
| Equipment and vehicles | 5 to 25 years |
| Engineering structures | 30 to 60 years |
| Roads and footbridges | 20 to 80 years |
| Underground services | 20 to 80 years |

One half the annual amortization is recorded in the year of acquisition. 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, account receivable, accounts payable, 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.

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

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% (2015 – 2%);
- discount rate is 3.45% (2015 – 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 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, 2017.

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, 2017, the Town has not recorded any liability for contaminated sites as no such sites exist.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2017

1. Significant Accounting Policies (continued)

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 (PSAB) 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 3320 Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). 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 the 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.

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2017

1. Significant Accounting Policies (continued)

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 asset not recognized should be disclosed in the notes.

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 (PSA HB). 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 basis for any estimates of extent made.

When a reasonable estimate can be made, disclosures 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 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.

1. Significant Accounting Policies (continued)

PS 3380 Contractual Rights

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Sector Accounting Handbook (PSA HB). 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, and only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.

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

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 (PSA HB). 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 de-recognition 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.

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

1. Significant Accounting Policies (continued)

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

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*.

| | 2017 | 2016 |
|--------------------------------------|---------------------|---------------------|
| General cash and short-term deposits | \$ 6,473,275 | \$ 7,079,970 |
| Restricted revenues | 1,448,016 | 1,389,315 |
| Capital reserves | 2,341,008 | 2,014,104 |
| | \$10,262,299 | \$10,483,389 |

3. Accounts Receivable

| | 2017 | 2016 |
|--|--------------------|-------------------|
| Property taxes | \$ 382,852 | \$ 512,519 |
| Water trade receivables | 58,382 | 57,823 |
| Sewer trade receivables | 48,892 | 48,465 |
| UBCM Water Treatment Plant grant | 1,751,313 | - |
| UBCM Clean Water and Wastewater grant | 137,573 | - |
| Western Economic Diversification grant | 412,048 | - |
| Other | 81,384 | 125,880 |
| | \$2,872,444 | \$ 744,687 |

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

4. Accounts Payable

| | 2017 | 2016 |
|--|--------------------|-------------------|
| Trade accounts and accrued liabilities | \$1,233,838 | \$ 555,235 |
| Regional and local governments | 16,710 | 4,871 |
| | <u>\$1,250,548</u> | <u>\$ 560,106</u> |

5. Future Payroll Obligations

| | 2017 | 2016 |
|------------------------|------------------|------------------|
| Vacation leave accrual | \$315,910 | \$287,277 |
| Sick leave payable | 101,679 | 95,780 |
| | <u>\$417,589</u> | <u>\$383,057</u> |

Total sick leave paid out during the year amounted to \$36,430 (2016 - \$32,576).

6. Deferred Revenues and Deposits

| | 2017 | 2016 |
|--------------------------------------|------------------|------------------|
| Prepaid property taxes and utilities | \$ 43,602 | \$ 39,187 |
| Developers' deposits | 186,459 | 167,627 |
| Other deposits and unearned revenues | 82,761 | 82,614 |
| | <u>\$312,822</u> | <u>\$289,428</u> |

7. Community Works Fund

| | 2017 | 2016 |
|----------------------------|--------------------|--------------------|
| Balance, beginning of year | \$1,097,364 | \$ 911,776 |
| Funds received | 179,701 | 177,957 |
| Funds spent | - | - |
| Interest earned | 7,668 | 7,631 |
| Balance, end of year | <u>\$1,284,733</u> | <u>\$1,097,364</u> |

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.

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

8. Restricted Revenues

| | 2017 | 2016 |
|--------------------------|--------------------|--------------------|
| Land acquisition | \$ 52,206 | \$ 51,703 |
| Parkland dedication | 48,403 | 35,294 |
| Road development charge | 362,017 | 349,107 |
| Sewer development charge | 205,973 | 199,358 |
| Water development charge | 779,417 | 753,853 |
| | \$1,448,016 | \$1,389,315 |

9. Municipal Finance Authority

| | Monthly Payment | Expiry Date | 2017 | 2016 |
|----------------|-----------------|----------------|-------------------|--------------------|
| Fire hall | \$10,294 | March 31, 2020 | \$ 678,823 | \$ 790,663 |
| Fire truck #7 | variable | July 15, 2019 | 24,860 | 54,860 |
| Fire truck #10 | \$3,118 | Dec. 31, 2021 | 125,106 | 160,255 |
| | | | \$ 828,789 | \$1,005,778 |

| | | |
|---------------------|------|------------------|
| Principal payments: | 2018 | \$170,642 |
| | 2019 | 148,801 |
| | 2020 | 491,980 |
| | 2021 | 17,366 |
| | | \$828,789 |

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, 2017 was 1.94%. Interest paid on the loans during the year amounted to \$14,521 (2016 - \$13,162).

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

10. Tangible Capital Assets

| | Opening Balance | Additions | Transfers Disposals | Closing Balance | Opening Accumulated Amortization | Amortization | Transfers Disposals | Closing Accumulated Amortization | 2017 Net Book Value | 2016 Net Book Value |
|--------------------------|--------------------|-------------|------------------------|--------------------|--|--------------|------------------------|--|---------------------------|---------------------------|
| Land | \$ 5,235,222 | 75,503 | - | \$ 5,310,725 | \$ - | \$ - | - | \$ - | \$ 5,310,725 | \$ 5,235,222 |
| Land improvements | 132,720 | 33,500 | - | 166,220 | 38,232 | 9,965 | - | 48,197 | 118,023 | 94,488 |
| Buildings | 5,053,245 | - | - | 5,053,245 | 2,582,617 | 152,842 | - | 2,735,459 | 2,317,786 | 2,470,628 |
| Equipment and vehicles | 3,120,677 | 85,752 | - | 3,206,429 | 1,370,700 | 201,619 | - | 1,572,319 | 1,634,110 | 1,749,977 |
| Engineering structures | 3,803,209 | - | - | 3,803,209 | 688,707 | 79,499 | - | 768,206 | 3,035,003 | 3,114,502 |
| Roads and services | 7,593,373 | 57,870 | - | 7,651,243 | 2,374,506 | 168,861 | - | 2,543,367 | 5,107,876 | 5,218,867 |
| Underground services | 6,045,711 | 256,917 | 10,445 | 6,313,073 | 2,348,033 | 136,925 | - | 2,484,958 | 3,828,115 | 3,697,678 |
| Construction in Progress | 850,025 | 3,153,684 | (10,445) | 3,993,264 | - | - | - | - | 3,993,264 | 850,025 |
| | \$31,834,182 | \$3,663,226 | - | \$35,497,408 | \$9,402,795 | \$749,711 | - | \$10,152,506 | \$25,344,902 | \$22,431,387 |

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

11. Accumulated Surplus

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

| Surpluses | 2017 | 2016 |
|----------------------------|--------------|--------------|
| Invested in capital assets | \$24,516,113 | \$21,425,609 |
| Operating surplus | 6,217,747 | 5,583,347 |
| | 30,633,860 | 27,008,956 |
| Reserves | | |
| Capital equipment | 3,705 | 3,669 |
| Fire equipment | 287,202 | 157,308 |
| Fire Hall | 188,863 | 187,042 |
| Municipal Hall | 821,549 | 764,107 |
| Public Works equipment | 990,188 | 853,691 |
| Parks Capital Improvement | 22,968 | 22,009 |
| Transportation - Roads | 16,592 | 16,432 |
| Sewer General | 1,679 | 1,663 |
| Water General | 8,262 | 8,183 |
| | 2,341,008 | 2,014,104 |
| | \$33,074,868 | \$29,023,060 |

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, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

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

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

12. Commitments and Contingencies (continued)

The most recent valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2.224 billion funding surplus for the basic pension benefits on a going concern basis.

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

The Town of Lake Cowichan paid \$111,351 (2016 - \$112,539) for employer contributions while employees contributed \$89,480 (2016 - \$87,852) to the Plan in fiscal 2016.

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

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

The Town signed a contract with Hazelwood Construction Services for work on Greendale and Rockland Road watermain upgrades in November 2017. The tender commitment outstanding at December 31, 2017 was \$393,968 plus applicable taxes.

The contract for the Water Treatment System Upgrade was awarded to Trittech Group Ltd. The remaining commitment on this contract at year end was \$4,589,816.

c.) Contingent Liability

A claim is outstanding against the Town as at December 31, 2017. 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 this claim, such loss will be charged to the operations in the year of resolution.

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

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. Budget Amounts

Financial Plan Bylaw 989-2017 was adopted by Council on May 9, 2017. 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 financial statements as presented:

| | General Fund | Sewer Utility | Water Utility | Consolidated Funds |
|------------------------------------|-------------------------|----------------------|----------------------|-------------------------------|
| Financial Plan Bylaw surplus | \$ - | \$ - | \$ - | \$ - |
| Transfers to (from) surplus | 91,100 | (364,500) | (1,092,521) | (1,365,921) |
| Add: Capital expenditures | 3,482,500 | 1,880,500 | 7,515,354 | 12,878,354 |
| Add: Principal debt repayments | 178,000 | - | - | 178,000 |
| Less: Transfers from reserve funds | (199,000) | - | - | (199,000) |
| Adjusted Annual Surplus | \$3,552,600 | \$1,516,000 | \$6,422,833 | \$11,491,433 |

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

14. 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.

15. Comparative Amounts

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

For the Year Ended December 31, 2017

Schedule I

Taxation and Grants-in-Lieu of Taxes

| | Budget 2017 | 2017 | 2016 |
|--|----------------|--------------|--------------|
| Property taxes | \$ 1,999,050 | \$ 2,011,636 | \$ 1,934,154 |
| Utilities | 43,000 | 45,549 | 43,074 |
| Federal Grants-in-lieu | 5,600 | 5,876 | 5,673 |
| | 2,047,650 | 2,063,061 | 1,982,901 |
| Collections for other Governments | | | |
| British Columbia Assessment Authority | 21,069 | 21,214 | 23,403 |
| Cowichan Valley Regional District | 967,774 | 967,774 | 918,762 |
| Municipal Finance Authority | 91 | 92 | 82 |
| Police Tax Levy | 145,171 | 145,171 | 137,400 |
| Regional Hospital District | 244,297 | 244,297 | 237,273 |
| School Tax Levy | 922,095 | 925,658 | 932,604 |
| Vancouver Island Regional Library | 127,782 | 127,782 | 123,852 |
| | 2,428,279 | 2,431,988 | 2,373,376 |
| Total Property Taxes and Collections | 4,475,929 | 4,495,049 | 4,356,277 |
| Less: transfers to other Governments | 2,428,279 | 2,431,988 | 2,373,376 |
| Net Taxation Revenue | \$ 2,047,650 | \$ 2,063,061 | \$ 1,982,901 |

For the Year Ended December 31, 2017

Schedule II

Government Grants and Transfers

| | Budget 2017 | 2017 | 2016 |
|----------------------------------|------------------------|---------------------|-------------------|
| Small Community Protection Grant | \$ 435,000 | \$ 469,149 | \$ 455,980 |
| Other | 1,900 | 1,937 | 1,937 |
| | 436,900 | 471,086 | 457,917 |
| Grants and Other | | | |
| BC Hydro | 500 | 500 | 500 |
| Community Wildfire Protection | - | 21,625 | - |
| Fire Smart Grant | - | 9,225 | - |
| Community Works Funds | 400,000 | - | - |
| Insurance Corporation of BC | - | - | 31,200 |
| Job Creation Program | - | - | 14,468 |
| Tree Canada | 9,500 | 5,855 | - |
| Other | 5,000 | 5,460 | 55,240 |
| Rural Dividend Program | - | 10,000 | - |
| UBCM | 2,925,900 | - | - |
| UBCM - Water Treatment Plant | 5,000,000 | 1,751,313 | - |
| Water and Wastewater grants | 1,129,093 | 545,718 | - |
| Western Economic Diversification | 500,000 | 419,146 | - |
| | \$ 9,969,993 | \$ 2,768,842 | \$ 101,408 |

For the Year Ended December 31, 2017

Schedule III

Sales of services

| | Budget | | |
|--|---------------|--------------|--------------|
| | 2017 | 2017 | 2016 |
| GENERAL REVENUE FUND | | | |
| Garbage fees | \$ 371,300 | \$ 372,348 | \$ 375,851 |
| Cowichan Lake Education Centre | 397,000 | 441,256 | 414,254 |
| Lakeview Park fees | 173,000 | 204,104 | 181,950 |
| CVRD fire protection | 230,000 | 239,861 | 216,658 |
| Fire service | - | 43,940 | 484 |
| Administration recoveries | 3,100 | 3,073 | 3,072 |
| Public Works revenues | - | 7,202 | 2,040 |
| Lease revenues | 61,500 | 61,274 | 61,188 |
| Penalties and interest on taxes | 64,500 | 69,270 | 75,667 |
| | 1,300,400 | 1,442,328 | 1,331,164 |
| Licences and Permits | | | |
| Business licences | 17,000 | 19,550 | 18,525 |
| Building permit and fees | 21,000 | 57,922 | 48,011 |
| Delivery vehicle licenses | - | 745 | 754 |
| Dog licences and fines | 3,500 | 3,410 | 3,610 |
| Other | 7,150 | 27,050 | 15,505 |
| | 48,650 | 108,677 | 86,405 |
| WATERWORKS UTILITY REVENUE FUND | | | |
| User fees | 532,000 | 547,045 | 521,482 |
| Parcel tax | 234,500 | 234,360 | 233,800 |
| Penalties and interest | 5,500 | 5,756 | 5,652 |
| Connection and service charges | 4,000 | 47,623 | 14,048 |
| | 776,000 | 834,784 | 774,982 |
| SEWER UTILITY REVENUE FUND | | | |
| User fees | 440,000 | 457,201 | 434,749 |
| Parcel tax | 164,100 | 164,000 | 163,700 |
| Penalties and interest | 4,600 | 4,780 | 4,750 |
| Connection and service charges | 1,000 | 6,047 | 7,617 |
| | 609,700 | 632,028 | 610,816 |
| | \$ 2,734,750 | \$ 3,017,817 | \$ 2,803,367 |

For the Year Ended December 31, 2017

Schedule IV

Parks and Recreational Services Expenditures

| | Budget | | |
|--------------------------------|------------|--------------|--------------|
| | 2017 | 2017 | 2016 |
| GENERAL REVENUE FUND | | | |
| Cowichan Lake Education Centre | \$ 442,100 | \$ 626,005 | \$ 584,036 |
| Information Centre | 22,000 | 20,669 | 19,993 |
| Lakeview Park | 169,600 | 165,054 | 176,987 |
| Parks and playgrounds | 196,700 | 204,972 | 224,690 |
| Buildings and other | 31,900 | 57,210 | 24,124 |
| | <hr/> | <hr/> | <hr/> |
| | \$ 862,300 | \$ 1,073,910 | \$ 1,029,830 |

For the Year Ended December 31, 2017
Schedule V


Consolidated Segment Disclosures

| | General Government | Protective Services | Public Works Transportation | Garbage & Recycling | Parks and Recreation | Sewer Services | Water Services | Reserve | 2017 Consolidated | 2017 Budget |
|---------------------------------------|-----------------------|------------------------|--------------------------------|------------------------|-------------------------|-------------------|---------------------|------------------|----------------------|----------------------|
| REVENUE | | | | | | | | | | |
| Taxation & grants in lieu of taxes | \$ 2,063,061 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,063,061 | \$ 2,047,650 |
| Government grants and transfers | 471,086 | - | - | - | - | - | - | - | 471,086 | 436,900 |
| Utility charges and parcel taxes | - | - | - | 372,348 | - | 627,248 | 829,028 | - | 1,828,624 | 1,746,900 |
| Sales of services | 173,024 | 283,801 | 7,202 | - | 645,360 | - | - | - | 1,109,387 | 913,250 |
| Interest and penalties | 133,085 | - | - | - | - | 4,780 | 5,756 | 19,658 | 163,279 | 104,600 |
| Grants | 21,815 | 30,850 | - | - | 419,146 | - | 2,297,031 | - | 2,768,842 | 9,969,993 |
| | 2,862,071 | 314,651 | 7,202 | 372,348 | 1,064,506 | 632,028 | 3,131,815 | 19,658 | 8,404,279 | 15,219,293 |
| EXPENSES | | | | | | | | | | |
| Administration | (219,500) | 13,000 | (155,900) | 41,300 | 40,400 | 131,100 | 149,600 | - | - | - |
| Audit and legal | 30,057 | - | - | - | - | - | - | - | 30,057 | 41,000 |
| Advertising, promotion and rebates | 3,202 | 1,911 | - | - | 292 | 325 | 325 | - | 6,055 | 15,700 |
| Conferences, travel and memberships | 33,531 | 30,861 | 878 | - | - | - | 1,016 | - | 66,286 | 85,400 |
| Contracted services | 63,050 | 119,671 | 78,242 | 100,773 | 91,350 | 31,119 | 24,560 | - | 508,765 | 450,300 |
| Discounts | - | - | - | 22,546 | - | 32,240 | 39,646 | - | 94,432 | 92,800 |
| Fuel | - | 6,956 | 40,714 | - | 171 | - | - | - | 47,841 | 11,500 |
| Insurance | 62,259 | 9,874 | 21,606 | - | 219 | - | - | - | 93,958 | 86,600 |
| Interest | 1,802 | 14,521 | - | - | - | - | - | - | 16,323 | 20,000 |
| Materials | 24,089 | 102,019 | 89,108 | 3,741 | 158,467 | 14,712 | 49,722 | - | 441,858 | 381,110 |
| Telephone | 10,834 | 5,484 | 5,238 | - | 8,852 | - | 764 | - | 31,172 | 32,200 |
| Utilities | 10,438 | 31,863 | 85,225 | - | 86,421 | 37,605 | 40,450 | - | 292,002 | 270,300 |
| Wages, benefits and equipment charges | 569,468 | 176,581 | 204,888 | 220,245 | 572,129 | 68,724 | 161,976 | - | 1,974,011 | 2,240,950 |
| | 589,230 | 512,741 | 369,999 | 388,605 | 958,301 | 315,825 | 468,059 | - | 3,602,760 | 3,727,860 |
| Amortization | 2,314 | 125,027 | 307,248 | - | 115,609 | 93,805 | 105,708 | - | 749,711 | - |
| TOTAL EXPENSES | 591,544 | 637,768 | 677,247 | 388,605 | 1,073,910 | 409,630 | 573,767 | - | 4,352,471 | 3,727,860 |
| SURPLUS | \$ 2,270,527 | \$ (323,117) | \$ (670,045) | \$ (16,257) | \$ (9,404) | \$ 222,398 | \$ 2,558,048 | \$ 19,658 | \$ 4,051,808 | \$ 11,491,433 |

For the Year Ended December 31, 2016
Schedule VI

Consolidated Segment Disclosures

| | General Government | Protective Services | Public Works Transportation | Garbage & Recycling | Parks and Recreation | Sewer Services | Water Services | Reserve | 2016 Consolidated | 2016 Budget |
|---------------------------------------|-----------------------|------------------------|--------------------------------|------------------------|-------------------------|-------------------|-------------------|------------------|----------------------|---------------------|
| REVENUE | | | | | | | | | | |
| Taxation & grants in lieu of taxes | \$ 1,982,901 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,982,901 | \$ 1,985,631 |
| Government grants and transfers | 457,917 | - | - | - | - | - | - | - | 457,917 | 443,800 |
| Utility charges and parcel taxes | - | - | - | 375,851 | - | 601,991 | 769,329 | - | 1,747,171 | 1,721,560 |
| Services and fees | 150,666 | 217,142 | 2,040 | - | 596,204 | 4,075 | - | - | 970,127 | 877,808 |
| Interest and penalties | 128,307 | - | - | - | - | 4,750 | 5,652 | 13,997 | 152,706 | 93,100 |
| Grants | 86,940 | - | - | - | 14,467 | - | - | - | 101,407 | 1,547,355 |
| Other | - | - | 21,775 | - | 165,789 | - | - | - | 187,564 | - |
| | <u>2,806,731</u> | <u>217,142</u> | <u>23,815</u> | <u>375,851</u> | <u>776,460</u> | <u>610,816</u> | <u>774,981</u> | <u>13,997</u> | <u>5,599,793</u> | <u>6,669,254</u> |
| EXPENSES | | | | | | | | | | |
| Administration | (219,000) | 8,000 | (138,200) | 41,000 | 39,600 | 121,000 | 147,600 | - | - | - |
| Audit and legal | 42,648 | - | - | - | - | - | - | - | 42,648 | 41,000 |
| Advertising, promotion and rebates | 4,142 | 1,167 | 425 | - | - | 275 | 275 | - | 6,284 | 18,150 |
| Conferences, travel and memberships | 33,655 | 27,487 | 1,593 | - | 1,903 | - | 1,491 | - | 66,129 | 84,500 |
| Contracted services | 91,283 | 33,522 | 79,969 | 101,584 | 83,790 | 110,456 | 10,142 | - | 510,746 | 402,300 |
| Discounts | - | - | - | 23,164 | - | 30,908 | 37,864 | - | 91,936 | 90,800 |
| Fuel | - | 5,843 | 36,887 | - | - | - | - | - | 42,730 | 11,500 |
| Insurance | 49,758 | 9,369 | 19,254 | - | 198 | - | - | - | 78,579 | 83,600 |
| Interest | 2,661 | 18,857 | - | - | - | - | - | - | 21,518 | 51,000 |
| Materials | 23,901 | 111,915 | 84,014 | 5,108 | 147,514 | 20,748 | 45,876 | - | 439,076 | 367,660 |
| Telephone | 11,295 | 5,149 | 5,135 | - | 9,874 | - | 764 | - | 32,217 | 31,800 |
| Utilities | 8,791 | 25,427 | 82,161 | - | 68,378 | 38,594 | 41,160 | - | 264,511 | 274,050 |
| Wages, benefits and equipment charges | 530,130 | 189,653 | 183,279 | 212,635 | 547,201 | 80,188 | 169,645 | - | 1,912,731 | 2,238,650 |
| | <u>579,264</u> | <u>436,389</u> | <u>354,517</u> | <u>383,491</u> | <u>898,458</u> | <u>402,169</u> | <u>454,817</u> | <u>-</u> | <u>3,509,105</u> | <u>3,695,010</u> |
| Amortization | 2,201 | 127,513 | 303,421 | - | 131,372 | 93,805 | 103,480 | - | 761,792 | - |
| TOTAL EXPENSES | <u>581,465</u> | <u>563,902</u> | <u>657,938</u> | <u>383,491</u> | <u>1,029,830</u> | <u>495,974</u> | <u>558,297</u> | <u>-</u> | <u>4,270,897</u> | <u>3,695,010</u> |
| SURPLUS | <u>\$ 2,225,266</u> | <u>\$ (346,760)</u> | <u>\$ (634,123)</u> | <u>\$ (7,640)</u> | <u>\$ (253,370)</u> | <u>\$ 114,842</u> | <u>\$ 216,684</u> | <u>\$ 13,997</u> | <u>\$ 1,328,896</u> | <u>\$ 2,974,244</u> |



Other Financial Information

Permissive Property Tax Exemptions

In accordance with Section 98(2)(b) of the Community Charter, the following is disclosure of properties exempted from municipal property tax for 2017:

| | | |
|--|--------------------------------|--------|
| Anglican Church | 70 Cowichan Avenue | 1,968 |
| Bishop of Victoria | 60 Fern Road | 2,794 |
| Catalyst Paper Corporation | North Shore Road (Boat Launch) | 9,311 |
| Cowichan Lake District Senior Assoc. | 55 Coronation Street | 12,963 |
| Cowichan Lake Lions Club | 131 Oak Lane | 1,726 |
| Island Corridor Foundation | Trails | 1,485 |
| Kaatza Historical Society | 125 South Shore Road | 6,535 |
| Lake Cowichan Khalsa Diwan Society | 9 Boundary Road | 3,340 |
| Pentecostal Assemblies of Canada | 10 King George Street | 9,339 |
| Proline Properties Ltd. Gillespie Park | 33 South Shore Road | 1,483 |
| Royal Canadian Legion Lake Cowichan | 5 North Shore Road | 1,526 |
| Trustees of the Lake Cowichan | | |
| Congregation Jehovah's Witness | 149 Neva road | 1,464 |

50% exempted

| | | |
|---|---------------------|------------------------|
| King George Seniors Affordable Housing | 20 South Shore Road | 8,912 |
| <u>Total Property Tax Exemptions</u> | | <u>\$62,846</u> |

Development Cost Charges and Other Reserves

| | |
|--------------------------|-------------------------|
| Parks Dedication Reserve | 48,403 |
| DCC Roads | 362,017 |
| DCC Water | 779,417 |
| DCC Sewer | 205,973 |
| Land Acquisition Reserve | 52,206 |
| <u>Total</u> | <u>1,448,016</u> |

Payments made for Goods and Services Exceeding \$20,000

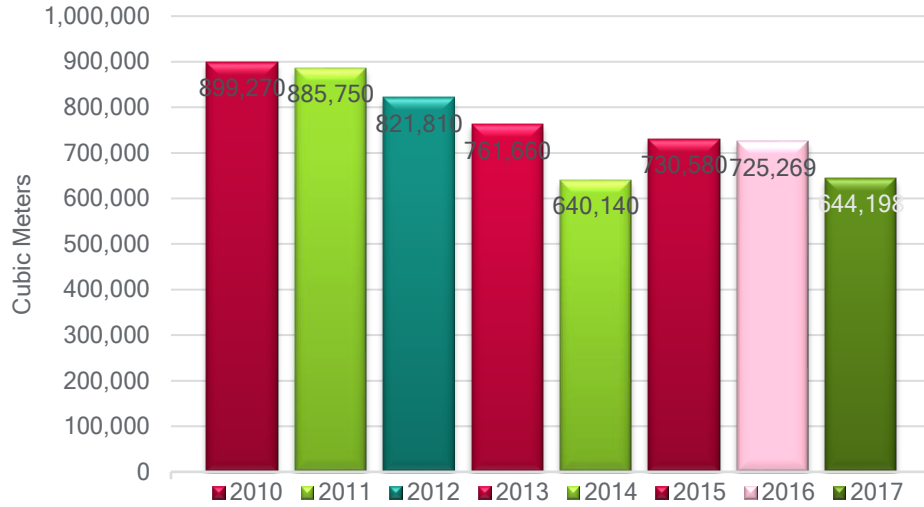
| Name | Amount | |
|---|-----------|--|
| 0697413 BC Ltd. | 74,572 | |
| Aon Reed Stenhouse Inc. | 50,005 | |
| Associated Engineering (BC) Ltd. | 104,853 | |
| BC Assessment Authority. | 21,298 | |
| BC Hydro. | 202,938 | |
| BC Hydro and Power Authority. | 252,001 | |
| BUILT Contracting Ltd. | 26,400 | |
| CIDA Holdings. | 41,544 | |
| CORIX Water Products Ltd. Partnership | 27,560 | |
| Country Grocer Lake Cowichan | 37,834 | |
| Cowichan Valley Regional District | 1,274,032 | |
| Duncan Paving Ltd | 88,975 | |
| E. Lees & Associates Ltd. | 63,233 | |
| Geoadvice Engineering Inc. | 22,775 | |
| Gordon Food Service | 36,419 | |
| Guillevin International. | 40,977 | |
| I.C.B.C. | 31,580 | |
| J & H Management | 25,384 | |
| Jaykar Holdings Ltd | 50,092 | |
| Lake Cowichan Fire Department | 22,324 | |
| Metro Motors Ltd. | 36,988 | |
| Ministry of Provincial Revenue - School Tax | 29,561 | |
| Municipal Pension Plan | 191,213 | |
| Ocean Marker | 21,797 | |
| Pacific Blue Cross | 45,361 | |
| Receiver General for Canada Payroll | 405,683 | |
| Revenue Services of British Columbia | 28,125 | |
| Royal Bank Visa | 24,541 | |
| Shur Power Electric | 34,972 | |
| Stantec Consulting Ltd | 390,369 | |
| Stone Pacific | 254,589 | |
| Super Save Enterprises Ltd | 32,406 | |
| Tritech Group Ltd | 879,203 | |
| United Steelworkers Local 1-1937 | 22,381 | |
| Van Hemert, James | 21,483 | |
| Vancouver Island Regional Library | 127,780 | |
| Vatcher, Steve | 61,531 | |
| Wagner, Dennis | 45,619 | |
| Waste Connections of Canada Inc. | 44,051 | |
| Western Watershed Design Inc. | 873,549 | |
| Workers Compensation Board | 30,408 | |
| Young Anderson | 79,402 | |
| | | Payments Made (Vendors Over \$20000) 6,175,807 |
| | | Miscellaneous Payments (\$20000 and Under) 968,026 |
| | | Total Payments 7,143,834 |

Note

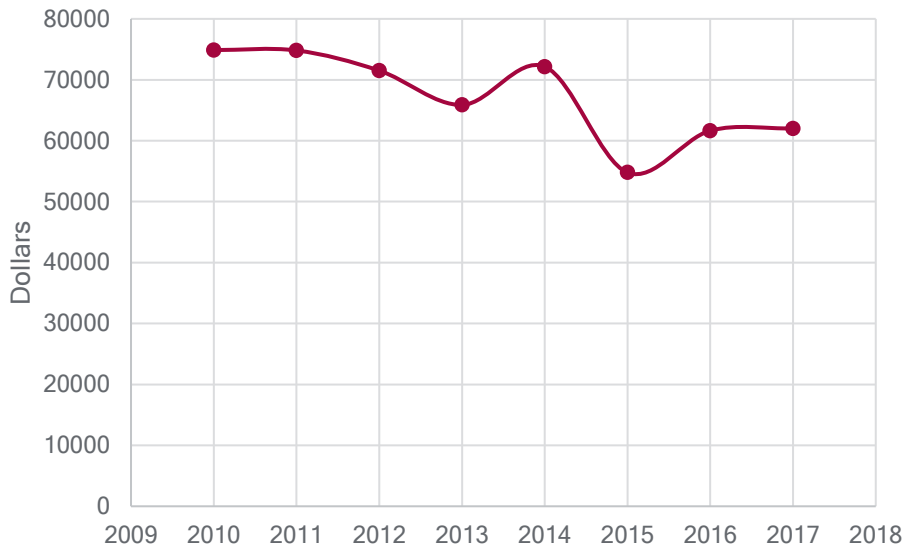
This schedule has been prepared on a cash basis and includes payments to vendors made in 2017.

The financial statements have been prepared on the accrual basis. As a result of timing differences and due to the inclusion of payments for capital improvements and payments to other taxing jurisdictions, this schedule will not agree to the financial statements.

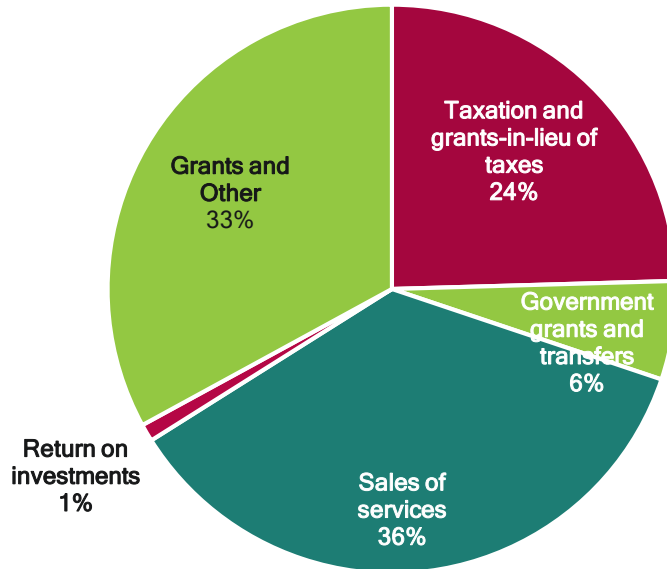
Water Consumption Data



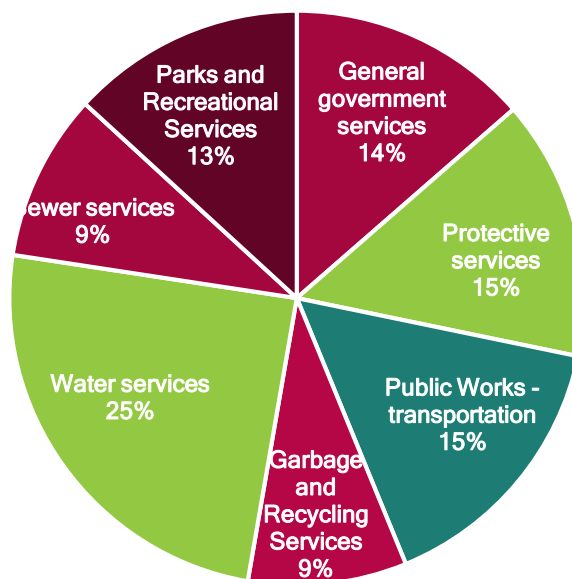
Tipping Costs



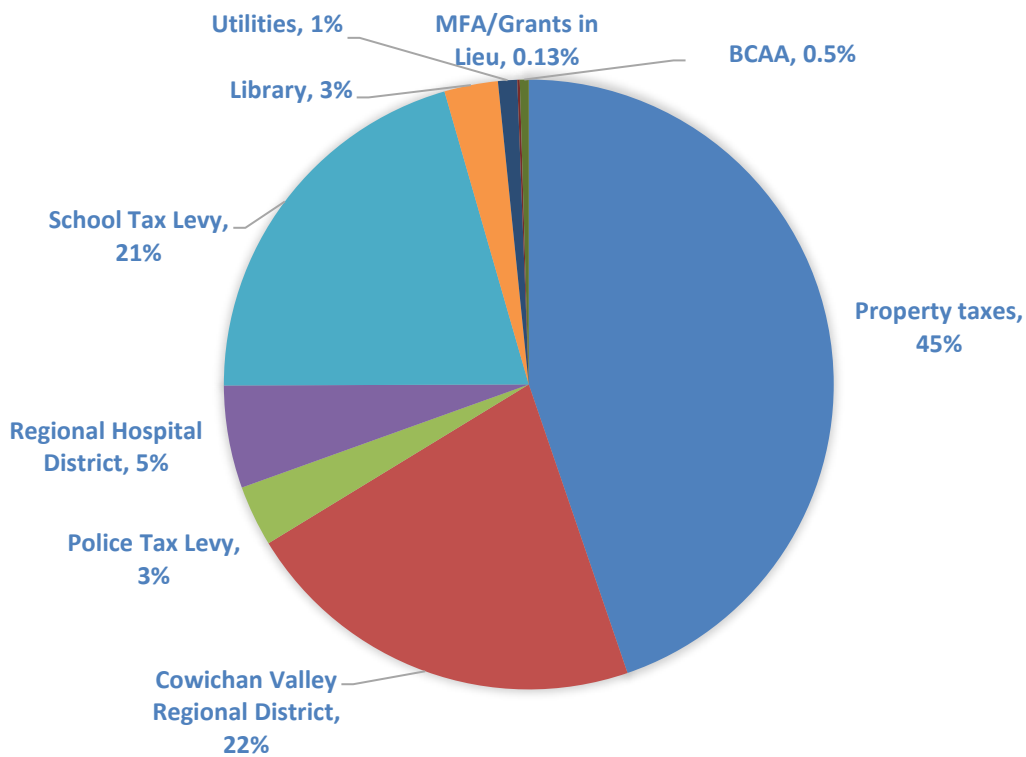
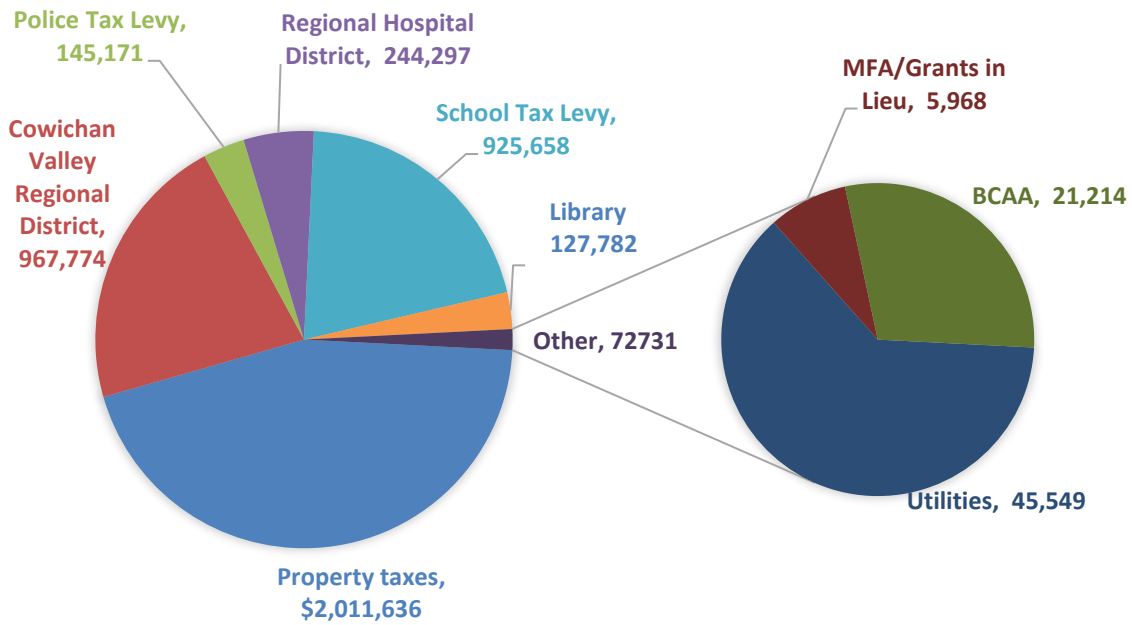
Revenues by Percentage



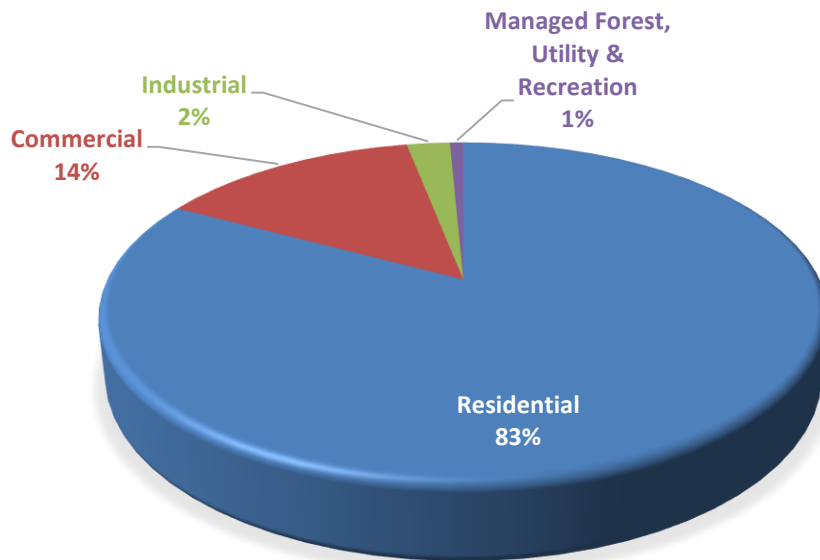
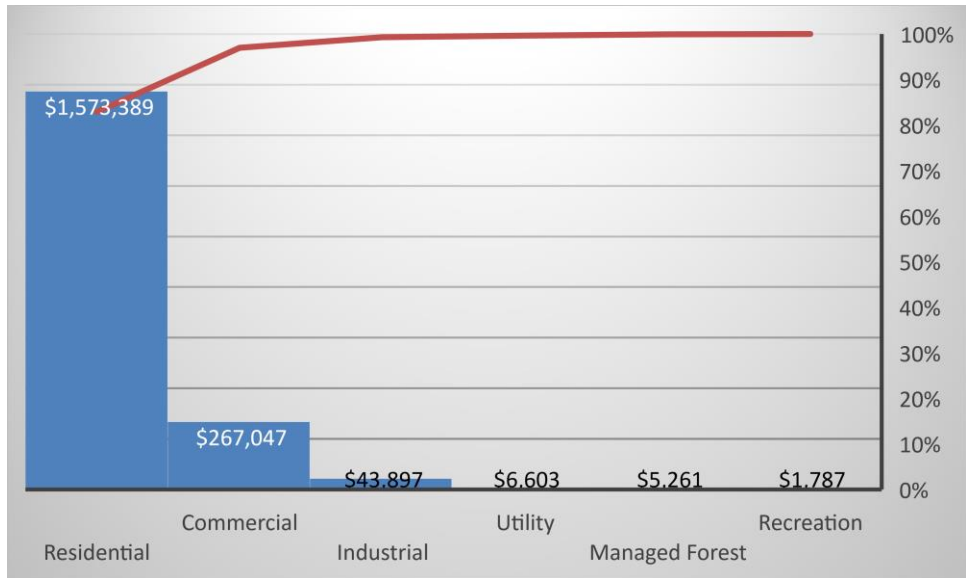
Expenses by Percentage



Taxation Revenue



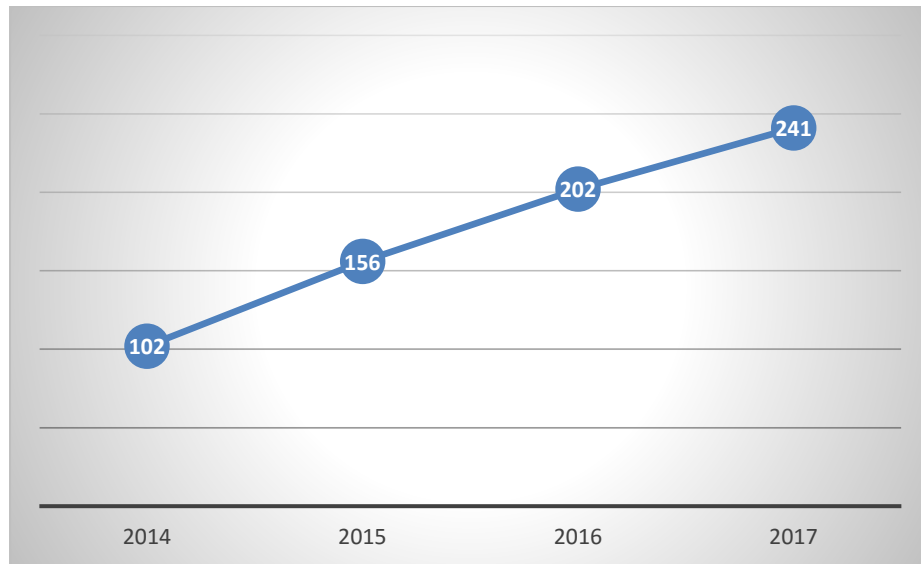
Property Tax Revenue by Class



Homeowner Grant Claims



Number of Land Title Changes



Other Information

37



Building Permits
Issued (53 in
2016)

8.5%



Increase in
population of Lake
Cowichan; 5.6%
average increase
for Province

644,198 m³



of water used in the
Town of Lake
Cowichan

\$417,914,551

Total BC
Assessment Value
of properties in
Lake Cowichan

Town of Lake Cowichan

Town Office Tel: 250-749-6681
Fax: 250-749-3900

Public Works Tel: 250-749-6244
Fax: 250-749-6686

Cowichan Lake Education Centre: 250-749-6213
Lakeview Park Campground: 250-749-3350

Town of Lake Cowichan
PO Box 860, 39 South Shore Road
Lake Cowichan BC V0R 2G0
Website: www.lakecowichan.ca