



TOWN OF LAKE COWICHAN
CONSOLIDATED FINANCIAL STATEMENTS
(Audited)
DECEMBER 31, 2023

Town of Lake Cowichan
Consolidated Financial Statements
For the Year Ended December 31, 2023

Independent Auditor's Report

Consolidated Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Operations and Accumulated Surplus	2
Consolidated Statement of Cash Flows	3
Consolidated Statement of Changes in Net Financial Assets	4
Notes to the Consolidated Financial Statements	5

Schedules

I	Taxation and Grants-in-Lieu of Taxes	18
II	Government Grants and Transfers	19
III	Sales of Services	20
IV	2023 Consolidated Segment Disclosures	21
V	2022 Consolidated Segment Disclosures	22

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, 2023, and the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2023, 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.

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

Nanaimo, British Columbia

April 23, 2024

MNP LLP

Chartered Professional Accountants

MNP LLP

Town of Lake Cowichan
Consolidated Statement of Financial Position
As at December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and short-term deposits (Note 3)	\$ 22,278,043	\$ 17,961,979
Accounts receivable (Note 4)	816,863	864,423
Redeemable Tax Sale Properties	48,434	-
	23,143,340	18,826,402
FINANCIAL LIABILITIES		
Accounts payable (Note 5)	719,485	781,409
Wages payable	37,539	35,113
Future payroll obligations (Note 6)	436,869	401,628
Deferred revenues and deposits (Note 7)	712,726	733,584
Community works fund (Note 8)	234,469	1,281,046
Restricted Revenues (Note 9)	2,571,611	2,206,570
Municipal Finance Authority Loans (Note 10)	32,893	165,452
Asset Retirement Obligation (Note 11)	373,200	-
Tax Sale Deposits	63,817	-
	5,182,609	5,604,802
NET FINANCIAL ASSETS	17,960,731	13,221,600
NON-FINANCIAL ASSETS		
Inventory	85,435	65,121
Prepaid items	174,298	133,889
Tangible capital assets (Note 12)	37,386,855	34,269,011
	37,646,588	34,468,021
ACCUMULATED SURPLUS (Note 13)	55,607,319	47,689,621
Commitments and Contingencies (Note 14)		

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, 2023

	Budget 2023 (Note 17)	2023	2022
REVENUES			
Taxation and grants-in-lieu of taxes (Schedule I)	\$ 3,583,405	\$ 3,588,596	\$ 3,433,917
Government grants and transfers (Schedule II)	1,601,900	2,425,845	640,822
Grants and Other (Schedule II)	3,363,094	1,722,008	1,843,659
Sales of services (Schedule III)	3,091,957	3,693,886	3,392,657
Return on investments	50,000	908,026	261,699
Contribution from Developers	-	-	-
Contributed tangible capital assets	-	1,999,368	-
	11,690,356	14,337,729	9,572,754
EXPENSES			
General government services	909,394	998,964	812,396
Protective services	667,200	1,051,091	915,132
Public Works - transportation	535,000	612,943	661,699
Garbage and Recycling Services	471,000	507,941	412,771
Parks and Recreational Services (Note 15)	995,700	1,224,577	1,118,406
Sewer services	502,000	774,620	555,573
Water services	907,400	1,249,895	1,193,303
	4,987,694	6,420,031	5,669,280
SURPLUS FOR THE YEAR	6,702,662	7,917,698	3,903,474
ACCUMULATED SURPLUS			
Beginning of year	43,786,147	47,689,621	43,786,147
ACCUMULATED SURPLUS, end of year	50,488,809	55,607,319	47,689,621

See accompanying notes to the Consolidated Financial Statements

Town of Lake Cowichan
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023

	2023	2022
OPERATIONS		
Surplus for the year	\$ 7,917,698	\$ 3,903,474
Non-cash charges to operations		
Amortization	1,295,371	1,272,407
Contributed tangible capital assets	(1,999,368)	-
Cash from Operations	7,213,701	5,175,881
CHANGE IN WORKING CAPITAL BALANCES		
Accounts receivable	47,560	(284,982)
Inventory	(40,409)	12,159
Prepaid items	(20,314)	(10,610)
Redeemable Tax Sale Properties	(48,434)	28,123
Accounts payable	(61,924)	416,537
Wages payable	2,426	(7,029)
Future payroll obligations	35,241	15,948
Deferred revenue	(20,858)	45,210
Community works fund	(1,046,577)	(1,217,197)
Restricted Revenues	365,041	196,493
Tax sale deposits	63,817	(10,000)
Cash provided by operating transactions	6,489,270	4,360,533
CAPITAL		
Acquisition of tangible capital assets	(2,040,647)	(2,497,554)
FINANCING		
Municipal Finance Authority loan payments	(132,559)	(170,986)
NET CHANGE IN CASH AND SHORT TERM DEPOSITS	4,316,064	1,691,993
CASH AND SHORT TERM DEPOSITS, beginning of year	17,961,979	16,269,986
CASH AND SHORT TERM DEPOSITS, end of year	22,278,043	17,961,979
Cash and short term deposits:		
Cash	\$ 370,129	\$ 279,139
Short term deposits	21,907,914	17,682,840
	22,278,043	17,961,979

Interest paid during the year amounted to \$11,779 (2022 - \$9,049).
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, 2023

	Budget 2023 (Note 17)	2023	2022
SURPLUS FOR THE YEAR	\$ 6,702,662	\$ 7,917,698	\$ 3,903,474
Amortization of tangible capital assets	-	1,295,371	1,272,407
Change in inventories and prepaid expenses	-	(60,723)	1,549
Acquisition of tangible capital assets	(8,639,260)	(4,413,215)	(2,497,554)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,936,598)	4,739,131	2,679,876
NET FINANCIAL ASSETS, beginning of year	13,221,600	13,221,600	10,541,724
NET FINANCIAL ASSETS, end of year	11,285,002	17,960,731	13,221,600

See accompanying notes to the Consolidated Financial Statements

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

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, 2023

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	15 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.

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

1. Significant Accounting Policies (continued)

Financial Instruments

The Town recognizes financial instruments when the Town becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at fair value.

At initial recognition, the Town may irrevocably elect to subsequently measure any financial instrument at fair value. The Town has made such an election during the year.

The Town subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the operating annual surplus. Conversely, transactions costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net measurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

The Town has not presented a statement remeasurement gains and losses as it does not have any items giving rise to remeasurement gains or losses.

Change in Accounting Policy

Effective January 1, 2023, the Town adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives, under Section PS 3450 Financial Instruments. The new Section is applied prospectively, and prior periods have not been restated. There was no material impact on the financial statement from the prospective application of the new accounting recommendations.

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

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% (2022 – 2%)
- discount rate is 3.45% (2022 – 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, contingencies and recognition of assets retirement obligations. 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, 2023.

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, 2023, 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, 2023

1. Significant Accounting Policies (continued)

Asset Retirement Obligations

PS 3280 Asset Retirement Obligations, issued August 2018, establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets and is effective for the Town as of January 1, 2023. A liability will be recognized when, as at the financial reporting date:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. The capitalized asset retirement cost is amortized on the same basis as the related asset is included in the Consolidated Statement of Operations and Accumulated Surplus. The Town will not inflate and discount current valuations due to the uncertainty surrounding the actual settlement of the asset retirement obligations included in the scope.

Change in Accounting Policy

Effective January 1, 2023, the Town adopted the Public Sector Accounting Board's (PSAB) PS 3280, Asset Retirement Obligations. The new standard establishes guidelines for acknowledging, assessing, presenting, and disclosing legal responsibilities connected with the retirement of tangible capital assets. The Town has chosen the prospective approach where liabilities are recognized on a forward-looking basis for the current and subsequent periods only. The valuation and accounting of the asset retirement obligation is completed at the time of adoption without consideration for previous years.

2. Financial Instruments

Unless otherwise noted, it is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from financial instruments.

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

3. 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*.

	2023	2022
General cash and short-term deposits	\$ 15,746,714	\$ 13,746,413
Restricted revenues	2,571,611	2,206,570
Capital reserves	3,959,718	2,008,996
	<hr/> 22,278,043	<hr/> 17,961,979

4. Accounts Receivable

	2023	2022
Property taxes	\$ 435,378	\$ 411,157
Water trade receivables	60,467	57,325
Sewer trade receivables	49,485	75,542
Other	271,533	320,399
	<hr/> 816,863	<hr/> 864,423

5. Accounts Payable

	2023	2022
Trade accounts and accrued liabilities	\$ 709,525	\$ 739,026
Regional and local governments	9,960	42,383
	<hr/> 719,485	<hr/> 781,409

6. Future Payroll Obligations

	2023	2022
Vacation leave accrual	\$ 340,081	\$ 316,314
Sick leave payable	96,788	85,314
	<hr/> 436,869	<hr/> 401,628

Total sick leave paid out during the year amounted to \$49,252 (2022 - \$54,298).

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

7. Deferred Revenues and Deposits

	2023	2022
Prepaid property taxes and utilities	\$ 168,237	\$ 166,908
Developers' deposits	474,681	527,856
Other deposits and unearned revenues	69,808	38,820
	712,726	733,584

8. Community Works Fund

	2023	2022
Balance, beginning of year	\$1,281,046	\$2,498,243
Funds received	208,943	199,862
Funds expended	(1,295,781)	(1,470,588)
Interest earned	40,261	53,528
Balance, end of year	234,469	1,281,046

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.

9. Restricted Revenues

	2023	2022
Land acquisition	\$ 110,481	\$ 105,168
Parkland dedication	261,302	166,669
Road development charge	595,657	519,958
Sewer development charge	343,273	303,667
Water development charge	1,260,898	1,111,108
	2,571,611	2,206,570

Town of Lake Cowichan
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

10. Municipal Finance Authority Loans

	Monthly Payment	Expiry Date	2023	2022
Fire truck #6	\$3,998	Sept. 30, 2024	\$32,893	\$77,785
Fire hall			-	87,667
			32,893	165,452
Principal payments:	2024	\$32,893		

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, 2023 was 5.63% (2022 – 4.04%). Interest paid on the loans during the year amounted to \$4,685 (2022 - \$5,357).

11. Asset Retirement Obligation

Asbestos and other designated hazardous materials represent a health hazard upon disturbance and as a result carry a legal obligation to remove them when a facility undergoes a significant renovation or demolition. The Town owns and operates several facilities that are known to have asbestos and as a result recognized an obligation related to the removal of the hazardous materials upon adoption of the PS 3280 Asset Retirement Obligations. An asset retirement obligation associated with asbestos within several facilities owned by the Town that will need to be abated upon retirement. This resulted in a \$373,200 increase in the asset retirement liability and an equal increase in the historical cost base of the associated building assets as presented in Note 12.

Town of Lake Cowichan
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

12. Tangible Capital Assets

	Opening Balance	Additions	Transfers Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Transfers Disposals	Closing Accumulated Amortization	2023 Net Book Value	2022 Net Book Value
Land	\$ 5,343,554	-	-	\$ 5,343,554	-	-	-	-	\$5,343,554	\$5,343,554
Land improvements	2,092,390	36,620	-	2,129,010	453,121	93,678	-	546,799	1,582,211	1,639,269
Buildings (Note 11)	5,486,568	1,780,411	2,554,702	9,821,681	3,512,647	184,198	(21,000)	3,675,845	6,145,836	1,973,920
Equipment and vehicles	4,985,738	183,919	(13,871)	5,155,786	2,687,629	286,509	(13,871)	2,960,267	2,195,519	2,298,109
Engineering structures	12,154,124	23,904	-	12,178,028	1,994,243	379,002	-	2,373,245	9,804,783	10,159,881
Roads and services	8,503,996	1,117,215	-	9,621,211	3,418,191	176,293	-	3,594,484	6,026,727	5,085,805
Underground services	8,273,082	1,182,237	-	9,455,319	3,269,167	175,691	-	3,444,858	6,010,461	5,003,915
Construction in Progress	2,764,557	88,909	(2,575,702)	277,764	-	-	-	-	277,764	2,764,558
	49,604,009	4,413,215	(34,871)	53,982,353	15,334,998	1,295,371	(34,871)	16,595,498	37,386,855	34,269,011

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

13. Accumulated Surplus

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

Surpluses	2023	2022
Invested in capital assets	\$36,980,762	\$34,103,559
Operating surplus	14,668,511	11,577,066
	<u>51,649,273</u>	<u>45,680,625</u>
Reserves		
Capital equipment	4,148	3,948
Covid Restart Grant* (See details below)	182,053	261,708
Fire equipment	289,580	189,363
Fire Hall	334,605	318,512
Growing Communities Grant* (See details below)	1,591,703	-
Municipal Hall	328,991	265,229
Public Works equipment	986,958	773,775
Parks Capital Improvement	35,837	34,113
Snow Removal	81,626	45,696
Transportation - Roads	111,414	106,056
Sewer General	1,880	1,790
Water General	9,251	8,806
	<u>3,958,046</u>	<u>2,008,996</u>
	<u>55,607,319</u>	<u>47,689,621</u>

*Covid Restart Grant	2023	2022
Opening balance	\$ 261,708	\$ 420,879
Interest earned	13,222	8,165
Covid expenses	(72,877)	(87,336)
Revenue shortfall Cowichan Lake Education Centre	(20,000)	(80,000)
Ending Balance	<u>182,053</u>	<u>261,708</u>

*Growing Communities Grant	2023	2022
Funds received	\$ 1,936,000	\$ -
Interest earned	67,551	-
Roads, sidewalks and footbridge decking and railing	(275,378)	-
Washroom renovations and building improvements	(75,947)	-
Dog park and septic system	(60,523)	-
Ending Balance	<u>1,591,703</u>	<u>-</u>

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

14. 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, 2022, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 contributors from local governments.

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2021 indicated a \$3.761 billion funding surplus for the basic pension benefits on a going concern basis.

The Town of Lake Cowichan paid \$102,452 (2022 - \$86,091) for employer contributions while employees contributed \$94,749 (2022 - \$79,618) to the Plan in fiscal 2023.

The next valuation will be as at December 31, 2024.

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.) Contingent Liability

There were outstanding claims made against the Town of Lake Cowichan as at December 31, 2023 for incidents that arose in the ordinary course of operations. In the opinion of management and legal counsel, the outcomes of the lawsuits, now pending, are not determinable. As the outcomes are not determinable at this time, no amount has been accrued in the financial statements. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

14. Commitments and Contingencies (continued)

c.) 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.

15. Parks and Recreational Services

	Budget		
	2023	2023	2022
Cowichan Lake Education Centre	\$ 460,500	\$ 484,354	\$ 475,832
Information Centre	46,900	45,070	39,557
Lakeview Park	223,300	235,735	226,453
Parks and Playgrounds	229,800	403,496	350,155
Buildings and Other	35,200	55,922	26,409
	<u>995,700</u>	<u>1,224,577</u>	<u>1,118,406</u>

16. 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 is shown below:

	2023	2022
Cash held in trust	\$ 9,263	\$ 7,718
Care Fund equity	<u>9,263</u>	<u>7,718</u>

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

17. Budget Amounts

Financial Plan Bylaw 1089-2023 was adopted by Council on April 25, 2023. 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	202	(3,500)	138,700	135,402
Add: Capital expenditures	4,589,260	3,780,000	270,000	8,639,260
Add: Principal debt repayments	132,000	-	-	132,000
Less: Debt	-	(2,000,000)	-	(2,000,000)
Less: Transfers from reserve funds	(204,000)	-	-	(204,000)
Adjusted Annual Surplus	4,517,462	1,776,500	408,700	6,702,662

18. Consolidated Segment Reporting

The Town of Lake Cowichan provides a variety of services to its residents. The segment disclosures reported on Schedules IV and V, 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 and 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.

19. 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, 2023
Schedule I

Taxation and Grants-in-Lieu of Taxes

	Budget		
	2023	2023	2022
Property taxes	\$ 2,545,305	\$ 2,544,414	\$ 2,401,670
Sewer and Water Parcel Tax	981,100	982,750	975,600
Utilities	50,000	55,691	50,227
Federal Grants-in-lieu	7,000	5,741	6,420
	<u>3,583,405</u>	<u>3,588,596</u>	<u>3,433,917</u>
Collections for other Governments			
British Columbia Assessment Authority	42,535	42,520	36,680
Cowichan Valley Regional District	1,630,535	1,630,535	1,361,456
Municipal Finance Authority	244	244	202
Police Tax Levy	210,000	252,718	200,181
Regional Hospital District	418,878	418,878	380,321
School Tax Levy	1,400,000	1,514,979	1,326,802
Vancouver Island Regional Library	180,068	180,068	163,581
	<u>3,882,260</u>	<u>4,039,942</u>	<u>3,469,223</u>
Total Property Taxes and Collections	7,465,665	7,628,538	6,903,140
Less: transfers to other Governments	3,882,260	4,039,942	3,469,223
Net Taxation Revenue	<u>3,583,405</u>	<u>3,588,596</u>	<u>3,433,917</u>

Town of Lake Cowichan
For the Year Ended December 31, 2023

Schedule II

Government Grants and Transfers

	Budget		
	2023	2023	2022
Small Community Protection Grant	\$ 510,000	\$ 488,000	\$ 639,000
Other	1,900	1,845	1,822
Growing Communities Grant	1,090,000	1,936,000	-
	<u>1,601,900</u>	<u>2,425,845</u>	<u>640,822</u>

Conditional Grants

Climate Action	-	66,082	66,082
Community Works Funds	1,200,000	1,295,780	1,470,588
CRI Firesmart Community Funding	175,594	277,146	136,655
Destination BC	20,000	20,000	15,000
Emergency Operations Centre	30,000	-	-
Fire Department equipment grant	15,000	30,000	-
Footbridge refurbishment grant	715,000	-	-
Other	7,500	8,000	5,500
Poverty Reduction Grant	-	25,000	25,000
Province of BC	-	-	122,829
Sewer Treatment Facilities grant	1,200,000	-	-
Summer Student Grant	-	-	2,005
	<u>3,363,094</u>	<u>1,722,008</u>	<u>1,843,659</u>

Town of Lake Cowichan
For the Year Ended December 31, 2023
Schedule III

Sales of services

	Budget		
	2023	2023	2022
Administration recoveries	\$ 3,500	\$ 3,768	\$ 3,528
Cowichan Lake Education Centre	407,200	445,993	350,111
CVRD fire protection	349,957	349,957	348,898
Fire service	-	4,714	1,471
Garbage fees	447,000	459,669	442,310
Lakeview Park fees	242,000	246,495	239,078
Lease revenues	65,000	64,809	64,809
Penalties and interest on taxes	60,000	92,384	72,892
Public Works revenues	-	9,061	17,594
Wildfire Recoveries	-	220,472	100,358
	1,574,657	1,897,322	1,641,049

Licences and Permits

Business licences	20,000	24,365	20,675
Building permit and fees	46,000	95,938	145,768
Dog licences and fines	2,700	2,920	3,170
Other	35,100	58,542	62,983
	103,800	181,765	232,596

Water and Sewer Utility Fees

Connection and service charges	14,500	149,764	236,883
Penalties and interest	9,000	10,813	9,349
User fees	1,390,000	1,454,222	1,272,780
	1,413,500	1,614,799	1,519,012
	3,091,957	3,693,886	3,392,657

Town of Lake Cowichan
For the Year Ended December 31, 2023
Schedule IV

Consolidated Segment Disclosures

	General Government	Protective Services	Public Works Transportation	Garbage & Recycling	Parks and Recreation	Sewer Services	Water Services	Reserve	2023 Consolidated	2023 Budget
REVENUE										
Taxation & grants in lieu of taxes	\$ 2,605,846	\$ -	\$ -	\$ -	\$ -	\$ 441,250	\$ 541,500	\$ -	\$ 3,588,596	\$ 2,602,305
Government grants and transfers	2,425,845	-	-	-	-	-	-	-	2,425,845	1,601,900
Conditional Grants	1,394,862	307,146	-	-	20,000	-	-	-	1,722,008	3,363,094
Utility fees	-	-	-	459,669	-	635,257	818,965	-	1,913,891	2,818,100
Services and fees	250,344	575,143	9,061	-	692,486	69,713	80,051	-	1,676,798	1,185,957
Interest and penalties	830,346	-	-	-	-	4,670	6,143	170,064	1,011,223	119,000
Contributed tangible capital assets	-	-	1,241,840	-	-	350,800	406,728	-	1,999,368	-
	<u>7,507,243</u>	<u>882,289</u>	<u>1,250,901</u>	<u>459,669</u>	<u>712,486</u>	<u>1,501,690</u>	<u>1,853,387</u>	<u>170,064</u>	<u>14,337,729</u>	<u>11,690,356</u>
EXPENSES										
Administration	(283,000)	16,000	(226,000)	46,000	43,000	161,000	243,000	-	-	-
Audit and legal	81,843	-	-	-	-	-	-	-	81,843	66,000
Advertising, promotion and rebates	4,128	63	384	-	405	-	-	-	4,980	9,700
Conferences, travel and memberships	40,688	47,090	43	-	-	1,546	537	-	89,904	76,200
Contracted services	235,952	85,914	143,610	148,946	76,317	144,883	68,351	-	903,973	765,094
Discounts	-	-	-	29,493	-	45,358	55,436	-	130,287	129,000
Fuel	-	13,798	68,504	-	-	-	-	-	82,302	19,500
Insurance	145,327	9,426	24,023	-	157	-	-	-	178,933	155,600
Interest	7,095	4,685	-	-	-	-	-	-	11,780	16,000
Materials	89,607	225,841	129,405	12,016	231,975	47,895	65,204	-	801,943	644,750
Telephone	15,420	5,541	6,157	-	8,754	-	2,079	-	37,951	43,300
Utilities	2,908	39,838	93,533	-	76,515	40,157	78,165	-	331,116	334,700
Wages, benefits and equipment charges	616,127	413,489	17,166	271,486	613,931	217,272	320,177	-	2,469,648	2,727,850
	<u>956,095</u>	<u>861,685</u>	<u>256,825</u>	<u>507,941</u>	<u>1,051,054</u>	<u>658,111</u>	<u>832,949</u>	<u>-</u>	<u>5,124,660</u>	<u>4,987,694</u>
Amortization	42,869	189,406	356,118	-	173,523	116,509	416,946	-	1,295,371	-
TOTAL EXPENSES	<u>998,964</u>	<u>1,051,091</u>	<u>612,943</u>	<u>507,941</u>	<u>1,224,577</u>	<u>774,620</u>	<u>1,249,895</u>	<u>-</u>	<u>6,420,031</u>	<u>4,987,694</u>
SURPLUS (DEFICIT)	<u>6,508,279</u>	<u>(168,802)</u>	<u>637,958</u>	<u>(48,272)</u>	<u>(512,091)</u>	<u>727,070</u>	<u>603,492</u>	<u>170,064</u>	<u>7,917,698</u>	<u>6,702,662</u>

Town of Lake Cowichan
For the Year Ended December 31, 2022
Schedule V

Consolidated Segment Disclosures

	General Government	Protective Services	Public Works Transportation	Garbage & Recycling	Parks and Recreation	Sewer Services	Water Services	Reserve	2022 Consolidated	2022 Budget
REVENUE										
Taxation & grants in lieu of taxes	\$ 2,458,317	\$ -	\$ -	\$ -	\$ -	\$ 438,000	\$ 537,600	\$ -	\$ 3,433,917	\$ 2,454,980
Government grants and transfers	640,822	-	-	-	-	-	-	-	640,822	511,900
Conditional Grants	1,567,170	136,655	122,829	-	17,005	-	-	-	1,843,659	1,799,870
Utility charges and parcel taxes	-	-	-	442,310	-	575,157	697,623	-	1,715,090	2,337,200
Services and fees	383,174	450,727	17,594	-	589,189	99,545	137,338	-	1,677,567	1,324,300
Interest and penalties	196,903	-	-	-	-	4,187	5,162	55,447	261,699	17,000
	5,246,386	587,382	140,423	442,310	606,194	1,116,889	1,377,723	55,447	9,572,754	8,445,250
EXPENSES										
Administration	(281,700)	14,700	(226,000)	46,000	43,000	161,000	243,000	-	-	-
Audit and legal	28,526	-	-	-	-	-	-	-	28,526	66,000
Advertising, promotion and rebates	4,949	204	271	-	386	-	-	-	5,810	11,700
Conferences, travel and memberships	34,656	50,421	200	-	-	175	3,447	-	88,899	59,200
Contracted services	217,821	107,575	55,901	121,508	89,120	42,919	97,156	-	732,000	663,600
Discounts	-	-	-	28,640	-	43,710	53,272	-	125,622	119,000
Fuel	-	16,088	66,276	-	-	-	-	-	82,364	15,500
Insurance	115,017	9,736	23,630	-	158	-	-	-	148,541	135,600
Interest	3,693	5,357	-	-	-	-	-	-	9,050	9,500
Materials	51,341	159,318	65,927	4,748	211,954	38,744	82,277	-	614,309	539,950
Telephone	12,199	6,208	6,462	-	6,005	-	2,203	-	33,077	38,200
Utilities	3,149	49,024	93,497	-	65,610	37,847	74,536	-	323,663	328,700
Wages, benefits and equipment charges	612,305	310,560	208,686	211,875	518,618	120,489	222,479	-	2,205,012	2,588,750
	801,956	729,191	294,850	412,771	934,851	444,884	778,370	-	4,396,873	4,575,700
Amortization	10,440	185,941	366,849	-	183,555	110,689	414,933	-	1,272,407	-
TOTAL EXPENSES	812,396	915,132	661,699	412,771	1,118,406	555,573	1,193,303	-	5,669,280	4,575,700
SURPLUS (DEFICIT)	4,433,990	(327,750)	(521,276)	29,539	(512,212)	561,316	184,420	55,447	3,903,474	3,869,550