



TOWN OF LAKE COWICHAN
CONSOLIDATED FINANCIAL STATEMENTS
(Audited)
DECEMBER 31, 2020

Town of Lake Cowichan
Consolidated Financial Statements
For the Year Ended December 31, 2020

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	16
II	Government Grants and Transfers	17
III	Sales of Services	18
IV	Parks and Recreational Services Expenses	19
V	2020 Consolidated Segment Disclosures	20
VI	2019 Consolidated Segment Disclosures	21

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, 2020, 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, 2020, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

Duncan, British Columbia

May 11, 2021

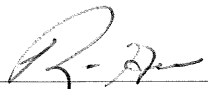
MNP LLP

Chartered Professional Accountants

Town of Lake Cowichan
Consolidated Statement of Financial Position
As at December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and short-term deposits (Note 2)	\$ 14,228,078	\$ 11,964,924
Accounts receivable (Note 3)	695,997	552,807
Redeemable Tax Sale Properties	-	7,692
	14,924,075	12,525,423
FINANCIAL LIABILITIES		
Accounts payable (Note 4)	271,895	311,243
Wages payable	36,654	36,420
Future payroll obligations (Note 5)	360,078	334,269
Deferred revenues and deposits (Note 6)	475,387	263,042
Community works fund (Note 7)	2,103,966	1,896,728
Restricted Revenues (Note 8)	1,758,531	1,595,542
Tax Sale Deposits	-	7,692
Municipal Finance Authority Loans (Note 9)	526,630	728,017
	5,533,141	5,172,953
NET FINANCIAL ASSETS	9,390,934	7,352,470
NON-FINANCIAL ASSETS		
Inventory	60,157	65,080
Prepaid items	93,711	107,348
Tangible capital assets (Note 10)	31,926,966	32,000,794
	32,080,834	32,173,222
ACCUMULATED SURPLUS (Note 11)	\$ 41,471,768	\$ 39,525,692
Commitments and Contingencies (Note 12)		
Significant Event (Note 17)		

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, 2020

	Budget		
	2020	2020	2019
	(Note 14)		
REVENUES			
Taxation and grants-in-lieu of taxes (Schedule I)	\$ 2,283,064	\$ 2,289,639	\$ 2,201,626
Government grants and transfers (Schedule II)	494,900	1,653,911	494,157
Grants and Other (Schedule II)	2,964,960	49,295	264,370
Sales of services (Schedule III)	2,612,768	3,028,235	3,061,680
Return on investments	50,000	76,729	157,578
Contribution from Developers	-	7,334	
Gain (loss) on disposal of tangible capital assets	-	(16,314)	7,815
	<u>8,405,692</u>	<u>7,088,829</u>	<u>6,187,226</u>
EXPENSES			
General government services	578,900	656,067	596,074
Protective services	710,960	705,962	790,536
Public Works - transportation	487,100	732,970	593,459
Garbage and Recycling Services	408,500	408,715	390,275
Parks and Recreational Services (Schedule IV)	587,500	917,774	1,056,687
Sewer services	458,000	564,149	524,573
Water services	817,900	1,157,116	910,749
	<u>4,048,860</u>	<u>5,142,753</u>	<u>4,862,353</u>
SURPLUS FOR THE YEAR	4,356,832	1,946,076	1,324,873
ACCUMULATED SURPLUS			
Beginning of year	39,525,692	39,525,692	38,200,819
ACCUMULATED SURPLUS, end of year	<u>\$ 43,882,524</u>	<u>\$ 41,471,768</u>	<u>\$ 39,525,692</u>

See accompanying notes to the Consolidated Financial Statements

Town of Lake Cowichan
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
OPERATIONS		
Surplus for the year	\$ 1,946,076	\$ 1,324,873
Non-cash charges to operations		
Amortization	1,036,198	1,002,407
Gain (loss) on disposal of tangible capital assets	16,314	(7,815)
Cash from Operations	2,998,588	2,319,465
CHANGE IN WORKING CAPITAL BALANCES		
Accounts receivable	(143,190)	1,189,242
Inventory	4,923	(9,538)
Prepaid items	13,637	(54,101)
Redeemable Tax Sale Properties	7,692	(300)
Accounts payable	(39,348)	(833,053)
Wages payable	234	8,740
Future payroll obligations	25,809	20,126
Deferred revenue	212,345	13,672
Community works fund	207,238	403,581
Restricted Revenues	162,989	84,859
Tax sale deposits	(7,692)	7,692
Cash provided by operating transactions	3,443,225	3,150,385
CAPITAL		
Acquisition of tangible capital assets	(1,005,684)	(2,432,416)
Proceeds on disposal of tangible capital assets	27,000	56,494
	(978,684)	(2,375,922)
FINANCING		
Municipal Finance Authority loan payments	(201,387)	(156,695)
Proceeds from borrowing	-	225,000
	(201,387)	68,305
NET CHANGE IN CASH AND SHORT TERM DEPOSITS	2,263,154	842,768
CASH AND SHORT TERM DEPOSITS, beginning of year	11,964,924	11,122,156
CASH AND SHORT TERM DEPOSITS, end of year	\$ 14,228,078	\$ 11,964,924
Cash and short term deposits:		
Cash	\$ 161,708	\$ 233,351
Short term deposits	14,066,370	11,731,573
	\$ 14,228,078	\$ 11,964,924

Interest paid during the year amounted to \$15,135 (2019 - \$20,270).

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, 2020

	Budget 2020 (Note 14)	2020	2019
SURPLUS FOR THE YEAR	\$ 4,356,832	\$ 1,946,076	\$ 1,324,873
Amortization of tangible capital assets	-	1,036,198	1,002,407
Change in inventories and prepaid expenses	-	18,560	(63,639)
Disposal of tangible capital assets	-	43,314	48,679
Acquisition of tangible capital assets	(6,830,000)	(1,005,684)	(2,432,416)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,473,168)	2,038,464	(120,096)
NET FINANCIAL ASSETS, beginning of year	7,352,470	7,352,470	7,472,566
NET FINANCIAL ASSETS, end of year	\$ 4,879,302	\$ 9,390,934	\$ 7,352,470

See accompanying notes to the Consolidated Financial Statements

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

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, 2020

1. Significant Accounting Policies (continued)

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

Short-term deposits

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

Non-Financial Assets

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

Inventory

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

Tangible Capital Assets

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

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

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

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

Financial Instruments

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

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

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% (2019 – 2%)
- discount rate is 3.45% (2019 – 3.45%)
- probability of compensated sick leave being used is 50% for management staff and 100% for public works and administration employees.

Use of Estimates

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

Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Town of Lake Cowichan is either directly responsible or accepts the responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2020.

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, 2020, 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, 2020

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*.

	2020	2019
General cash and short-term deposits	\$ 10,204,224	\$ 8,361,713
Restricted revenues	1,758,531	1,595,542
Capital reserves	2,265,323	2,007,669
	<hr/> \$14,228,078	<hr/> \$11,964,924

3. Accounts Receivable

	2020	2019
Property taxes	\$ 448,821	\$ 296,768
Water trade receivables	63,873	56,916
Sewer trade receivables	52,893	47,365
Other	130,410	151,758
	<hr/> \$ 695,997	<hr/> \$ 552,807

4. Accounts Payable

	2020	2019
Trade accounts and accrued liabilities	\$ 246,381	\$ 302,188
Regional and local governments	25,514	9,055
	<hr/> \$ 271,895	<hr/> \$ 311,243

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

5. Future Payroll Obligations

	2020	2019
Vacation leave accrual	\$ 284,977	\$ 248,834
Sick leave payable	75,101	85,435
	\$ 360,078	\$ 334,269

Total sick leave paid out during the year amounted to \$47,743 (2019 - \$37,832).

6. Deferred Revenues and Deposits

	2020	2019
Prepaid property taxes and utilities	\$ 113,445	\$ 57,948
Developers' deposits	329,133	141,798
Other deposits and unearned revenues	32,809	63,296
	\$ 475,387	\$ 263,042

7. Community Works Fund

	2020	2019
Balance, beginning of year	\$1,896,728	\$1,493,147
Funds received	190,978	377,451
Funds spent	-	(4,325)
Interest earned	16,260	30,455
Balance, end of year	\$2,103,966	\$1,896,728

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

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

8. Restricted Revenues

	2020	2019
Land acquisition	\$ 103,015	\$ 102,151
Parkland dedication	90,452	54,986
Road development charge	412,401	387,549
Sewer development charge	249,899	219,503
Water development charge	902,764	831,353
	\$1,758,531	\$1,595,542

9. Municipal Finance Authority Loans

	Monthly Payment	Expiry Date	2020	2019
Fire hall	\$10,706	Sept. 30, 2023	\$ 338,851	\$ 459,020
Fire truck #6	\$ 3,998	Sept. 30, 2024	169,924	214,414
Fire truck #10	\$ 3,118	May 31, 2021	17,855	54,583
			\$ 526,630	\$ 728,017

Principal payments:	2021	\$190,274	
	2022	174,009	
	2023	133,239	
	2024	29,108	
		\$526,630	

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, 2020 was 1.21% (2019 – 2.5%). Interest paid on the loans during the year amounted to \$11,139 (2019 - \$16,342).

Town of Lake Cowichan
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020

10. Tangible Capital Assets

	Opening Balance	Additions	Transfers Disposals	Closing Balance	Opening Accumulated Amortization	Amortization	Transfers Disposals	Closing Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Land	\$ 5,343,554	-	-	\$ 5,343,554	\$ -	\$ -	-	\$ -	\$5,343,554	\$ 5,343,554
Land improvements	1,989,610	64,834	-	2,054,444	181,622	87,417	-	269,039	1,785,405	1,807,988
Buildings	5,101,570	213,172	-	5,314,742	3,041,447	155,425	-	3,196,872	2,117,870	2,060,123
Equipment and vehicles	4,474,111	146,975	(63,961)	4,557,125	1,951,998	261,009	(34,822)	2,178,185	2,378,940	2,522,113
Engineering structures	11,059,705	315,227	234,630	11,609,562	1,050,651	202,637	-	1,253,288	10,356,274	10,009,054
Roads and services	7,651,243	137,008	-	7,788,251	2,882,143	170,183	-	3,052,326	4,735,925	4,769,100
Underground services	7,536,723	-	-	7,536,723	2,783,029	159,527	-	2,942,556	4,594,167	4,753,694
Construction in Progress	735,168	128,468	(248,805)	614,831	-	-	-	-	614,831	735,168
	\$43,891,684	\$1,005,684	\$ (78,136)	\$44,819,232	\$11,890,890	\$1,036,198	\$ (34,822)	\$12,892,266	\$31,926,966	\$32,000,794

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

11. Accumulated Surplus

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

Surpluses	2020	2019
Invested in capital assets	\$31,400,336	\$31,272,777
Operating surplus	7,110,519	6,245,246
	<u>38,510,855</u>	<u>37,518,023</u>
Reserves		
Capital equipment	3,868	3,835
Covid Restart Grant* (See details below)	695,590	-
Fire equipment	100,090	12,980
Fire Hall	197,167	195,512
Municipal Hall	1,009,448	951,393
Public Works equipment	891,516	790,224
Parks Capital Improvement	26,480	26,257
Snow Removal	9,054	-
Transportation - Roads	17,322	17,176
Sewer General	1,753	1,739
Water General	8,625	8,553
	<u>2,960,913</u>	<u>2,007,669</u>
	<u>\$41,471,768</u>	<u>\$39,525,692</u>

***Covid Restart Grant**

Funds received	\$ 1,158,000	\$ -
Covid expenses	(112,410)	-
Revenue shortfall Cowichan Lake Education Centre	(350,000)	-
	<u>\$ 695,590</u>	<u>\$ -</u>

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

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, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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, 2018 indicated a \$2.866 billion funding surplus for the basic pension benefits on a going concern basis. The Town of Lake Cowichan paid \$97,414 (2019 - \$99,746) for employer contributions while employees contributed \$85,346 (2019 - \$88,070) to the Plan in fiscal 2020.

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

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

b.) Commitments

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

c.) Contingent Liability

Two claims are outstanding against the Town as at December 31, 2020. In the opinion of management and legal counsel, the outcome of the claim, now pending, is not determinable. As the outcome is not determinable at this time, no amount has been accrued in the financial statements. Should any loss result from the resolution of these claims, such losses will be charged to the operations in the year of resolution.

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

12. Commitments and Contingencies (continued)

d.) Reciprocal Insurance Exchange Agreement

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

13. Funds Held in Trust

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

	2020	2019
Cash held in trust	\$ 3,981	\$ 2,690
Care Fund equity	3,981	2,690

14. Budget Amounts

Financial Plan Bylaw 1037-2020 was adopted by Council on May 8, 2020. 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	(312,218)	(999,450)	(360,200)	(1,671,868)
Add: Capital expenditures	2,846,000	3,495,000	489,000	6,830,000
Add: Principal debt repayments	185,700	-	-	185,700
Less: Transfers from reserve funds	(987,000)	-	-	(987,000)
Adjusted Annual Surplus	\$ 1,732,482	\$ 2,495,550	\$ 128,800	\$ 4,356,832

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

15. Consolidated Segment Reporting

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

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

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

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

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

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

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

Reserve Funds – reports interest income on reserve funds.

16. Comparative Amounts

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

17. Significant Event

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

Town of Lake Cowichan
For the Year Ended December 31, 2020

Schedule I

Taxation and Grants-in-Lieu of Taxes

	Budget		
	2020	2020	2019
Property taxes	\$ 2,226,064	\$ 2,232,765	\$ 2,146,518
Utilities	51,000	49,995	49,637
Federal Grants-in-lieu	6,000	6,879	5,471
	<u>2,283,064</u>	<u>2,289,639</u>	<u>2,201,626</u>
Collections for other Governments			
British Columbia Assessment Authority	28,712	28,693	24,779
Cowichan Valley Regional District	1,197,159	1,197,159	1,104,880
Municipal Finance Authority	131	131	122
Police Tax Levy	182,600	182,477	166,630
Regional Hospital District	339,850	339,850	309,247
School Tax Levy	1,046,713	1,046,497	1,036,859
Vancouver Island Regional Library	150,202	150,202	133,728
	<u>2,945,367</u>	<u>2,945,009</u>	<u>2,776,245</u>
Total Property Taxes and Collections	5,228,431	5,234,648	4,977,871
Less: transfers to other Governments	2,945,367	2,945,009	2,776,245
Net Taxation Revenue	<u>\$ 2,283,064</u>	<u>\$ 2,289,639</u>	<u>\$ 2,201,626</u>

Town of Lake Cowichan
For the Year Ended December 31, 2020
Schedule II

Government Grants and Transfers

	Budget		
	2020	2020	2019
Small Community Protection Grant	\$ 493,000	\$ 493,974	\$ 492,220
Other	1,900	1,937	1,937
Covid Restart Grant	-	1,158,000	-
	\$ 494,900	\$ 1,653,911	\$ 494,157

Grants and Other

BC Hydro	\$ -	\$ -	\$ 500
Community Works Funds	600,000	-	4,325
CRI Firesmart Community Funding	149,960	23,707	-
Fire smart Grant	-	-	3,200
Asset Management BC	15,000	15,000	-
Other	-	6,500	9,000
Summer Student grants	-	4,088	7,762
Sewer Treatment Facility	2,200,000	-	-
Water and Wastewater grants	-	-	239,583
	\$ 2,964,960	\$ 49,295	\$ 264,370

Town of Lake Cowichan
For the Year Ended December 31, 2020
Schedule III

Sales of services

	Budget		
	2020	2020	2019
GENERAL REVENUE FUND			
Garbage fees	\$ 397,500	\$ 400,718	\$ 386,875
Cowichan Lake Education Centre	21,000	44,700	346,880
Lakeview Park fees	1,000	199,864	205,460
CVRD fire protection	322,918	322,918	312,469
Fire service	-	31,943	39,973
Administration recoveries	3,170	3,229	3,204
Public Works revenues	-	12,573	6,393
Lease revenues	64,800	64,800	64,526
Penalties and interest on taxes	50,000	77,004	63,177
	860,388	1,157,749	1,428,957
Licences and Permits			
Business licences	18,000	18,525	18,275
Building permit and fees	24,700	49,275	61,072
Dog licences and fines	3,300	2,715	3,855
Other	6,130	33,050	31,722
	52,130	103,565	114,924
WATERWORKS UTILITY REVENUE FUND			
User fees	595,000	620,158	589,747
Parcel tax	341,200	341,400	238,420
Penalties and interest	5,500	6,486	5,829
Connection and service charges	5,000	14,690	12,850
	946,700	982,734	846,846
SEWER UTILITY REVENUE FUND			
User fees	497,000	510,220	485,005
Parcel tax	250,050	250,200	166,700
Penalties and interest	4,500	5,403	4,857
Connection and service charges	2,000	18,364	14,391
	753,550	784,187	670,953
	\$ 2,612,768	\$ 3,028,235	\$ 3,061,680

Town of Lake Cowichan
For the Year Ended December 31, 2020
Schedule IV

Parks and Recreational Services Expenses

	Budget		
	2020	2020	2019
GENERAL REVENUE FUND			
Cowichan Lake Education Centre	\$ 277,800	\$ 307,169	\$ 501,523
Information Centre	22,000	18,673	18,415
Lakeview Park	33,600	199,829	192,250
Parks and playgrounds	219,800	345,666	318,041
Buildings and other	34,300	46,437	26,458
	\$ 587,500	\$ 917,774	\$ 1,056,687

Town of Lake Cowichan
For the Year Ended December 31, 2020
Schedule V

Consolidated Segment Disclosures

	General Government	Protective Services	Public Works Transportation	Garbage & Recycling	Parks and Recreation	Sewer Services	Water Services	Reserve	2020 Consolidated	2020 Budget
REVENUE										
Taxation & grants in lieu of taxes	\$ 2,289,639	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,289,639	\$ 2,283,064
Government grants and transfers	540,000	44,565	16,669	478	356,609	-	-	695,590	1,653,911	494,900
Utility charges and parcel taxes	-	-	-	400,718	-	779,340	976,248	-	2,156,306	2,070,750
Services and fees	171,594	322,918	12,573	-	244,564	-	-	-	751,649	482,018
Interest and penalties	136,735	-	-	-	-	4,847	6,486	16,998	165,066	110,000
Grants	21,500	23,707	-	-	4,088	-	-	-	49,295	2,964,960
Other	(16,314)	31,943	-	-	-	7,334	-	-	22,963	-
	3,143,154	423,133	29,242	401,196	605,261	791,521	982,734	712,588	7,088,829	8,405,692
EXPENSES										
Administration	(278,600)	14,000	(197,000)	43,500	25,100	158,000	235,000	-	-	-
Audit and legal	98,598	-	-	-	-	-	-	-	98,598	56,000
Advertising, promotion and rebates	4,228	118	1,020	-	350	-	-	-	5,716	12,700
Conferences, travel and memberships	5,479	19,477	560	-	-	184	550	-	26,250	59,500
Contracted services	107,393	106,883	113,215	115,853	84,374	42,349	155,392	-	725,459	723,560
Discounts	-	-	-	25,203	-	37,491	46,045	-	108,739	102,000
Fuel	-	6,236	41,302	-	-	206	-	-	47,744	13,300
Insurance	85,441	14,389	32,827	-	-	-	-	-	132,657	96,200
Interest	3,996	11,139	-	-	-	-	-	-	15,135	23,300
Materials	31,057	135,971	88,653	5,925	130,523	88,692	94,631	-	575,452	379,250
Telephone	10,746	5,232	6,716	-	10,312	-	2,932	-	35,938	34,200
Utilities	4,879	29,790	86,705	-	61,329	36,588	78,451	-	297,742	366,800
Wages, benefits and equipment charges	577,631	189,775	237,400	218,234	415,604	103,352	295,129	-	2,037,125	2,182,050
	650,848	533,010	411,398	408,715	727,592	466,862	908,130	-	4,106,555	4,048,860
Amortization	5,219	172,952	321,572	-	190,182	97,287	248,986	-	1,036,198	-
TOTAL EXPENSES	656,067	705,962	732,970	408,715	917,774	564,149	1,157,116	-	5,142,753	4,048,860
SURPLUS	2,487,087	(282,829)	(703,728)	(7,519)	(312,513)	227,372	(174,382)	712,588	1,946,076	4,356,832

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

Consolidated Segment Disclosures

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