

**To:** Mayor and Council  
**From:** Paul Gipps, CAO

**Meeting Date:** May 6, 2025  
**Meeting Type:** Regular Council Meeting

**Prepared by:** Trevor James, CFO, Director of Finance & Administration  
**Department:** Finance & Administration

**Title:** 2024 Audit and Financial Statements | Mario Piroddi, BDO  
**Description:** Review of the 2024 Financial Statements

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## RECOMMENDATION

THAT the District of Lake Country's 2024 draft Financial Statements be approved.

## EXECUTIVE SUMMARY

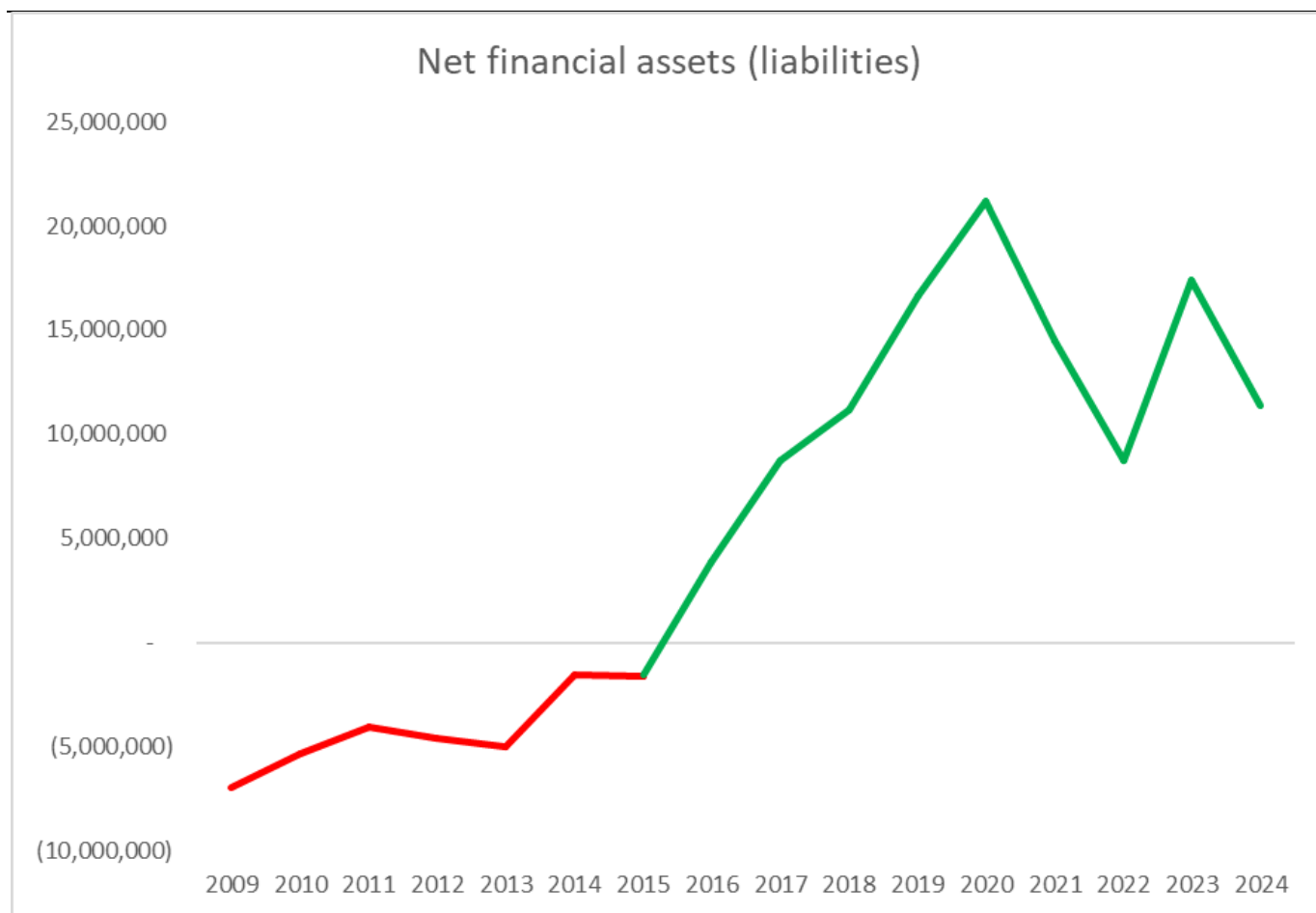
Our auditors, BDO LLP, have audited the 2024 financial statements and provided a preliminary unmodified (clean) audit opinion. The draft financial statements are contained in Attachment 1. The full financial statements will be presented to Council by BDO LLP and by management at the May 6, 2025 Regular Council meeting.

## DISCUSSION/ANALYSIS

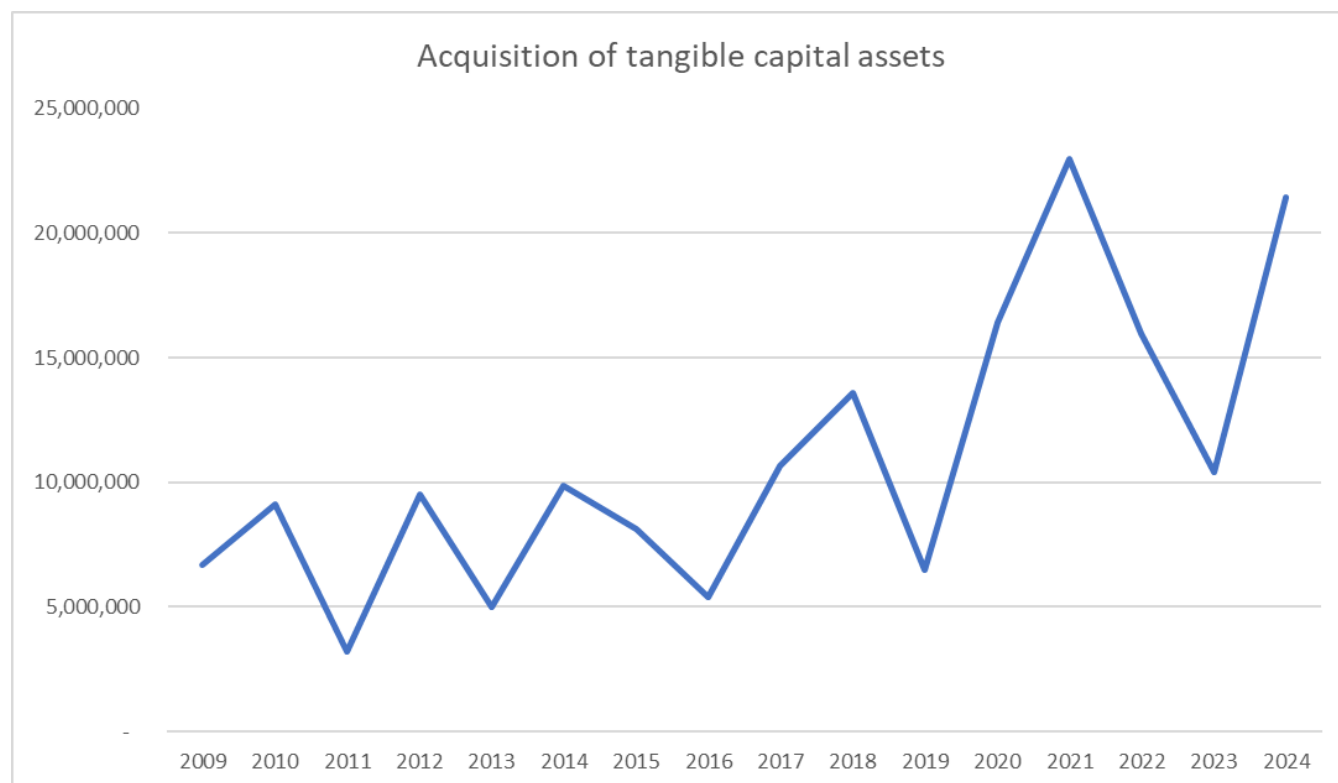
These financial statements have been prepared in accordance with generally accepted accounting principles for local governments following recommendations and guidance provided by Public Sector Accounting Standards (PSAS).

A net financial position indicates the extent that net financial resources are available to fund future operations and expenditures. In 2024 the District moved to a net financial position of \$11.4 million compared to \$17.4 million in 2023. While this is a significant decrease from the prior year it is largely due to the timing of the purchase of tangible capital assets, \$21.4 million in 2024 compared with \$10.4 million in 2023. The net financial position is in line with expectations based on timing of capital asset purchases.

The following chart shows the trend of net financial assets over the years:



This is consistent with the timing of significant capital expenditures:



2024 revenues were \$48.0m compared to \$49.2m budget. This 2.4% difference is largely explained by:

- Government transfers \$4.7m compared to budget of \$5.9m largely due to a capital grant being budgeted for 2024 but carried forward to occur in 2025 (indigenous cultural centre).
- Developer contributions \$1.9m compared to budget of \$4.3m due to multiple capital projects funded by Development Cost Charges (DCC's) budgeted for 2024 but carried forward to 2025.
- This was partially offset by Interest on Investments at \$2.4m compared to budget of \$1.2m due to higher investment returns than budget.

2024 revenues were \$3.8m lower than 2023 (\$48.0m vs. \$51.8m) primarily due to:

- \$6.8m Growing Communities Fund grant in 2023
- Offset partially by 9.5% tax increase plus growth resulted in \$2.2m of additional taxation revenue

2024 expenses of \$39.2m were \$1.2m higher than budget of \$38.0m. This 3.1% variance is largely due to amortization of capital assets of \$6.4m compared to budget of \$4.9m slightly offset by expenses being slightly under budget on an overall basis. Given the non-cash nature of amortization and its non-impact on taxation rates, it has not been overly scrutinized as part of the budget process and as such has lagged behind actual amortization. Changes to budgeting for 2025 have taken place to more accurately budget for amortization. Please see "2024 Expenses Budget to Actual" for a breakdown by department.

2024 expenses of \$39.2m came in \$2.6m higher than \$36.7m of 2023 expenses. This 7.0% increase was expected due to increases in RCMP and transit costs among general inflationary and supply chain increases. Please see table "2024 Actual to 2023 Actual" for breakdown by department.

### **Statement of Financial Position**

Some items that are unique to PSAS financial reporting as follows:

- **Separation of financial assets and non-financial assets** – in typical financial statements of a business, a balance sheet is separated into three main categories – assets, liabilities, and shareholders' equity. In public sector financial statements, total assets are not specifically presented. Assets are separated between "financial" assets and "non-financial" assets:
  - Financial Assets are assets that generate cash flow and can be used to repay liabilities. Financial Assets include cash and cash equivalents and accounts receivables.
  - Non-Financial Assets generally do not provide cash flow and include tangible capital assets and other assets that are utilized on a continuing basis for public purposes having a useful life beyond one year. These assets are reflected at net book value (initial cost less amortization to date) and not intended to be sold in the normal course of operations.
- **Net Debt or Net Financial Assets** – With this separation of financial assets and non-financial assets, a performance measure unique to public sector financial statements results. The difference between financial assets and liabilities either reflects a "net debt" or "net financial asset" position.
  - Net Debt – A net debt position indicates the extent that debt and other liabilities have been taken on by the municipality to fund the delivery of services, investments in tangible capital assets and other transactions. Future revenue streams need to contemplate the requirement to repay debt obligations as they come due based on established repayment terms.
  - Net Financial Assets – A net financial asset position indicates the extent that net financial resources are available to fund future operations and spending.
  - The net debt and net financial assets will fluctuate from year to year depending on how much is spent on capital and how much surplus is recognized. However, the District should continue to see a net financial asset position as the reserves are held in line with the Reserve Policy adopted by Council.
- **Accumulated Surplus or Deficit** – the accumulated sum of non-financial assets and net financial assets. The District is in a "surplus" position. The surplus position reflects that net financial and physical resources are

available to provide future services. If an entity was in a net deficit position, this would reflect that future revenues are required to finance historical operations.

### **Statement of Operations and Accumulated Surplus**

This statement provides the budgeted and actual revenues and expenses of the District for the fiscal year. Revenues are presented by their sources of funds (i.e. taxation, user fees, government transfers, etc.) Expenses are presented by function or major program (i.e. Protective services, Water, Sewer, etc.) The accumulated surplus represents the accumulated results experienced by the District over the years.

Please see executive summary for summary of most significant changes in budget vs. actual and actual vs. prior year as well as below for additional information:

<b>2024 Expenses Budget to Actual</b>					
<b>Expenses</b>	<b>2024 Budget</b>	<b>2024 Actual</b>	<b>Difference in Budget vs. Actual</b>	<b>% Difference in Budget vs. Actual</b>	<b>Comments</b>
General Government Services	4,826,865	5,488,597	661,732	14%	\$415,709 of actual amortization compared to budget of \$162,878. \$59,326 of accretion expense related to asset retirement obligations. Increase in contracted services along with associated increase in grant revenue. Additional wages & benefits associated with departmental realignments (with offsets in other departments).
Protective Services	8,399,013	7,763,211	(635,802)	-8%	Came in under budget due to actual RCMP FTEs of 14.78 compared to budget of 20.
Transportation Services	7,056,113	7,358,905	302,792	4%	Comparable to budget, \$2.1m of actual amortization compared to budget of \$1.7m.
Environmental Services	2,088,027	2,241,356	153,329	7%	See in conjunction with Planning & Development Services positive variance, difference primarily due to change in FTE coding.
Planning and Development Services	1,996,491	1,882,578	(113,913)	-6%	See in conjunction with Environmental Services negative variance, difference primarily due to change in FTE coding.
Parks and Recreation Services	5,358,007	5,900,784	542,777	10%	\$997,705 of actual amortization compared with \$613,358 budgeted. \$277,244 of performance fees at Creekside Theatre compared to \$80,000 budget. However, there was also programming revenues of \$306,657 compared to budget of \$90,000 associated with these events.
Water Services	4,870,985	4,970,003	99,018	2%	\$1.3m of amortization compared to \$1.1m budgeted. Otherwise comparable to budget.
Sewer Services	2,464,409	2,618,008	153,599	6%	\$846,582 of amortization compared with \$626,475 budgeted. Otherwise comparable to budget.
Interest Expense	984,139	1,011,314	27,175	3%	Interest expense slightly higher than budget due to increase in interest paid on prepaid taxes due to higher interest rates
<b>Total</b>	<b>38,044,049</b>	<b>39,234,756</b>	<b>1,190,707</b>	<b>3%</b>	

Expenses - 2024 Actual to 2023 Actual					
Expenses	2024 Actual	2023 Actual	Difference in Actual vs. Prior Year	% Difference in Actual vs. Prior Year	Comments
General Government Services	5,488,597	4,826,944	661,653	14%	Amortization of \$415,709 compared to \$369,291. Additional budgeted FTEs. Other increased costs anticipated in budget surrounding materials & supplies, contracted services etc.
Protective Services	7,763,211	7,708,494	54,717	1%	Higher contracted services for RCMP offset by less firefighting wages than 2023 related to summer 2023 fires.
Transportation Services	7,358,905	6,708,689	650,216	10%	Increase from \$1,961,332 in amortization to \$2,119,264. Inflationary increases to contracted services such as road maintenance services contract. \$334,000 increase in Transit contract.
Environmental Services	2,241,356	1,921,618	319,738	17%	Increases in hydro plant & garbage & recycling contract costs, change in FTE coding
Planning and Development Services	1,882,578	1,722,257	160,321	9%	Staffing vacancies during 2023 compared to 2024, change in FTE coding.
Parks and Recreation Services	5,900,784	5,700,551	200,233	4%	Minor increases in line with budgeted increases due to rising costs of materials, supplies, utilities, contracted services. Higher theatre performance fees (along with higher revenues).
Water Services	4,970,003	4,546,650	423,353	9%	Higher than prior year due to higher material/supply costs as well as additional users. \$76,000 additional amortization.
Sewer Services	2,618,008	2,409,419	208,589	9%	Higher than prior year due to higher material/supply costs as well as additional users. \$120,000 additional amortization.
Interest Expense	1,011,314	1,111,118	(99,804)	-9%	Less interest due to maturity of some loans.
<b>Total</b>	<b>39,234,756</b>	<b>36,655,740</b>	<b>2,579,016</b>	<b>7%</b>	

### **Statement of Changes in Net Debt**

Explains the changes in net debt, reconciling the opening to the closing balance of net debt reported in the Statement of Financial Position.

### **Statement of Cash Flows**

Explains the changes to cash and cash equivalents, reconciling the opening to the closing balance of cash and cash equivalents reported in the Statement of Financial Position.

### **Notes to Financial Statements and Schedules**

Provides further details on information provided in the financial statements noted above. The full listing of debt including what it is for has been provided in Attachment B.

### **Schedule 1 – Schedule of Tangible Capital Assets**

Summary of changes to the net book value of all District tangible capital assets and work in progress held by category.

### **Schedule 2 – Schedule of Accumulated Surplus**

Summary of changes to reserves as well as the net investment in tangible capital assets.

### **Schedule 3 – Schedule of Segment Disclosure**

Further details of the use of financial resources (revenue and expenses) by the District by function or segment.

### **Schedule 4 – Schedule of COVID-19 Restart Grant**

This is a schedule required for the acceptance of the COVID-19 Safe Restart Grant received in November 2020 from the Provincial Government. This grant was recorded as revenue for 2020 with the amount not spent in 2020 moved into the financial stabilization reserve with the amount being drawn down as it gets spent.

### **Schedule 5 – Schedule of Growing Communities Fund Grant**

This is a schedule required for the acceptance of the Growing Communities Fund Grant received in March 2023 from the Provincial Government. This grant was recorded as revenue for 2023 and then transferred into its own “Growing Communities Fund Reserve” where the amount will be drawn down as it gets spent.

### **Schedule 6 – Schedule of Local Government Housing Initiatives Grant**

This is a schedule required for the acceptance of the Local Government Housing Initiatives Grant received in January 2024 from the Provincial Government. This grant was recorded as revenue for 2024 and then transferred into the financial stabilization reserve where the amount will be drawn down as it gets spent.

### **FINANCIAL IMPLICATIONS**

☐ None      ☒ Budget Previously Approved      ☐ Other (see below)  
Reporting on actual results for 2024.

### **COMMUNICATION**

The financial statements are available publicly on the District’s website and at Municipal Hall as well as are included in the annual report that is released in June.

### **ALTERNATE RECOMMENDATION(S)**

1. THAT the District of Lake Country’s 2024 draft Financial Statements not be approved and be sent back to staff.

Respectfully Submitted.

**Trevor James, CFO, Director of Finance & Administration**

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**Report Approval Details**

Document Title:	2024 Audit and Financial Statements.docx
Attachments:	- Attachment 1 - 2024 Financial Statements - DLC 2025-05-01 Draft.pdf - Attachment 2 - Long Term Debt.pdf
Final Approval Date:	May 1, 2025

This report and all of its attachments were approved and signed as outlined below:

**Reyna Seabrook, Director of Corporate Services - May 1, 2025 - 8:53 AM**

**Paul Gipps, Chief Administrative Officer - May 1, 2025 - 9:46 AM**

**Makayla Ablitt, Legislative & FOI Coordinator - May 1, 2025 - 9:50 AM**