
MEETING TYPE: Regular Council Meeting
MEETING DATE: Tuesday, May 7, 2024
AUTHOR: Trevor James, CFO, Director of Finance & Administration
DEPARTMENT: Finance & Administration
ITEM TITLE: 2023 Financial Statements
DESCRIPTION: Review of the 2023 Financial Statements

PURPOSE

For Council to review and approve the 2023 Financial Statements.

RECOMMENDATION

THAT the District of Lake Country's 2023 draft Financial Statements be approved.

EXECUTIVE SUMMARY

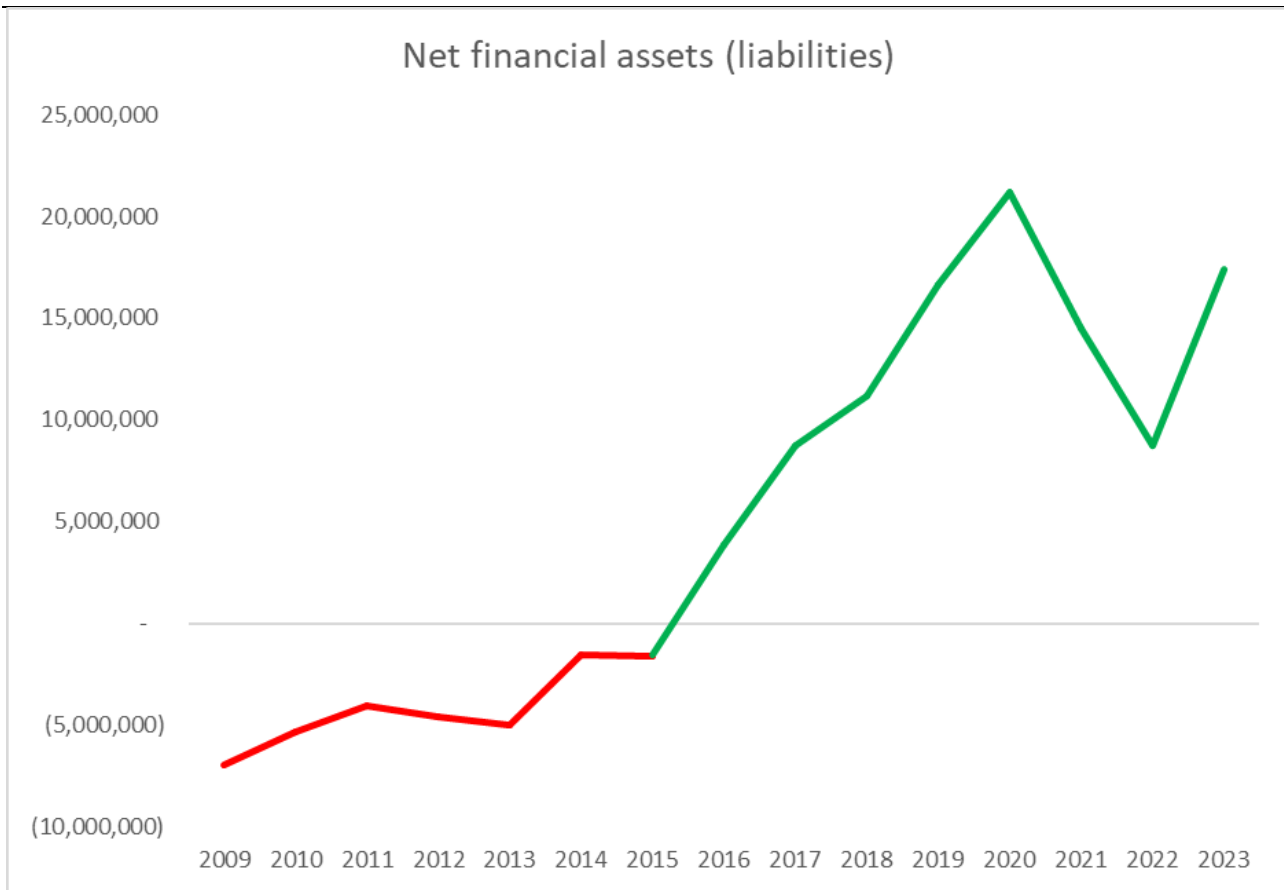
Our auditors, BDO LLP, have audited the 2023 financial statements and provided a preliminary unmodified (clean) audit opinion. The draft financial statements are contained in Attachment A. The full financial statements will be presented to Council by BDO LLP and by management at the May 7, 2024 Regular Council meeting.

DISCUSSION/ANALYSIS

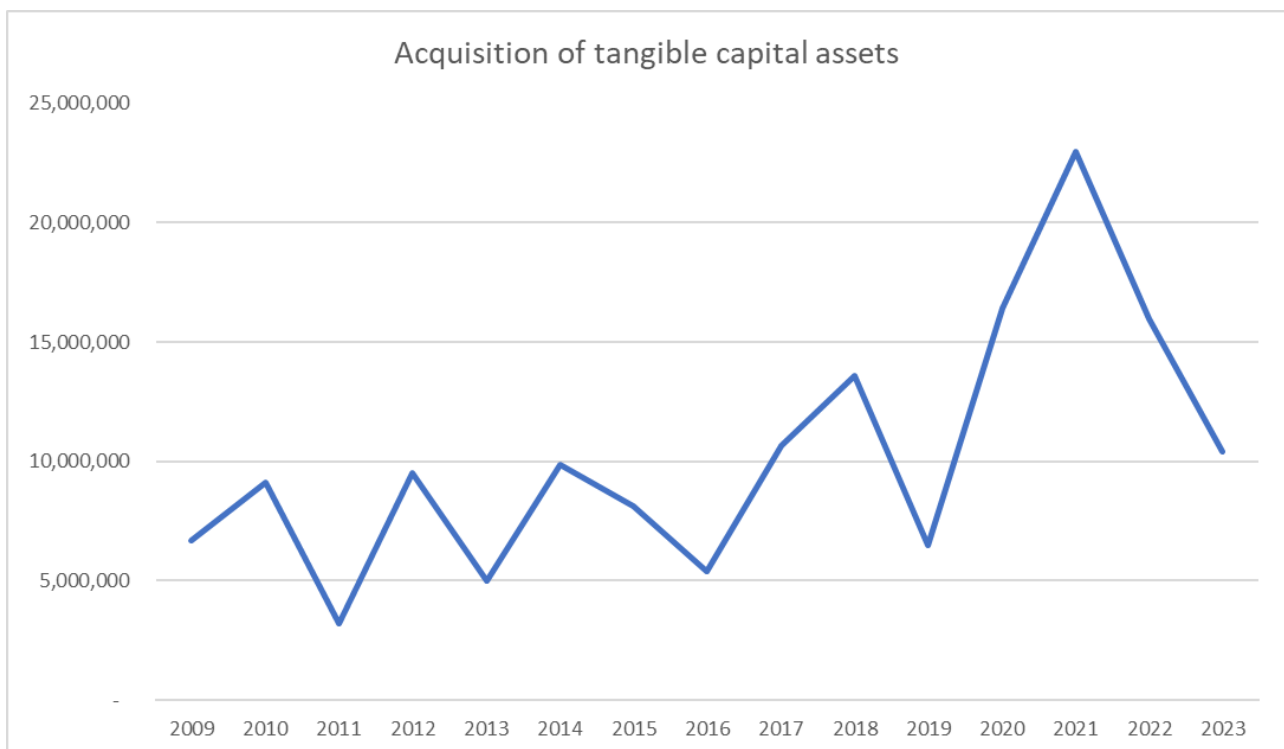
These financial statements have been prepared in accordance with generally accepted accounting principles for local governments following recommendations and guidance provided by Public Sector Accounting Standards (PSAS).

A net financial position indicates the extent that net financial resources are available to fund future operations and expenditures. In 2023 the District moved to a net financial position of \$17,411,953 compared to \$8,716,578 in 2022. While this is a significant increase from the prior year it is largely due to the timing of the purchase of tangible capital assets, \$10.4m acquired in 2023 compared to \$16.0m acquired in 2022. The net financial position is closer to the 2021 amount of \$14,519,118.

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



The dip in 2021 and 2022 was largely attributable to the significant capital expenditures. The District spent \$22,954,802 on tangible capital assets in 2021 and \$15,973,412 in 2022, 2023 was much closer to a regular year. The following shows the trend over the years:



2023 revenues were below budget by \$8.9 million with the actual amount being \$51.8 million vs. budget of \$60.7 million. This is largely explained by government transfers coming in at \$8.7 million compared to budget of \$18.8 million. \$14.1 million was budgeted for Wastewater Treatment Plant Phase 5 to be grant funded which was unsuccessful however \$6.8 million of unbudgeted grant money came in through the Growing Communities Fund grant. There was also a budgeted \$1.42 million developer contribution which did not occur as part of the Robinson Road project. These three items make up \$8.72 million of the \$8.9 million difference.

2023 revenues were \$14.9 million higher than 2022 (\$51.8 million vs. \$36.9 million) primarily due to:

- \$6.8 million Growing Communities Fund grant
- 17.05% tax increase plus 2% growth resulted in \$3.2 million of additional revenue
- \$1.3 million of additional interest on investments due to higher interest/investment rates
- \$1.2 million of additional sale of services revenue the majority of this increase was \$860k of additional fire services revenue from redeployments during the summer fires.

2023 total expenses of \$36.7 million were \$1.4 million above budget of \$35.2 million a variance of 4.1%, primarily due to the extra costs incurred during the summer 2023 fires (note that there was offsetting revenue received from the province) please see table “2023 Expenses Budget to Actual” for a breakdown by department.

2023 total expenses came in \$5.6 million higher than \$31.0 million in 2022, an increase of 18.4% which was primarily expected, hence the 17.05% tax increase for 2023, in addition to the aforementioned fire expenses, please see table “2023 Actual to 2022 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:

2023 Expenses Budget to Actual

Expenses	2023 Budget	2023 Actual	Difference in Budget vs. Actual	% Difference in Budget vs. Actual	Comments
General Government Services	4,321,519	4,826,944	505,425	12%	\$392,348 of actual amortization compared to budget of \$162,878 primarily in the IT infrastructure category. \$190,904 of Emergency Operations Overtime wages (were recovered through province with corresponding revenue).
Protective Services	7,112,165	7,708,494	596,329	8%	Significantly more fire wages and related costs due to summer 2023 redeployments and fire in Lake Country, more than offset by revenue from province.
Transportation Services	6,685,367	6,708,689	23,322	0%	Comparable to budget.
Environmental Services	1,990,047	1,921,618	(68,429)	-3%	Comparable to budget.
Planning and Development Services	1,681,430	1,722,257	40,827	2%	Comparable to budget.
Parks and Recreation Services	5,116,365	5,700,551	584,186	11%	Creekside Theatre performance fees were \$201,252 compared to budget of \$60,000 however please note that the programming revenues were \$231,108 compared to budget of \$65,000. Amortization of tangible capital assets was \$1,064,622 compared to budget of \$613,358
Water Services	4,859,150	4,546,650	(312,500)	-6%	There were \$794,501 of budgeted operating projects funded through capital reserves where only \$284,267 was spent in the year (difference \$510,234). This included the Water Master Plan update, Dam Safety Review and Beaver Lake Water Treatment Plant feasibility which have been carried forward to 2024. Remaining difference primarily attributable to amortization coming in higher at \$1,197,444 compared to budget of \$1,054,560. When considered with revenues on overall basis was in surplus position.
Sewer Services	2,381,344	2,409,419	28,075	1%	Comparable to budget, on overall basis was in surplus position.
Interest Expense	1,053,150	1,111,118	57,968	6%	Interest expense slightly higher than budget due to increase in interest paid on prepaid taxes due to higher interest rates
Total	35,200,537	36,655,740	1,455,203	4%	

Expenses - 2023 Actual to 2022 Actual

Expenses	2023 Actual	2022 Actual	Difference in Actual vs. Prior Year	% Difference in Actual vs. Prior Year	Comments
General Government Services	4,826,944	4,390,421	436,523	10%	Amortization \$392,348 compared to \$266,011. \$90,433 of operational capital projects compared to \$36,241. IT Software licenses/subscriptions increased from \$281,088 to \$354,922 as expected.
Protective Services	7,708,494	5,263,175	2,445,319	46%	\$1,375,051 higher contracted services for RCMP due to full year of 90% policing and slightly higher members. Also significantly higher firefighting wages & related costs due to summer 2023 fires (redeployments and in Lake Country) however more than offset by revenue from province.
Transportation Services	6,708,689	5,761,547	947,142	16%	\$215,283 increase in contracted services related to Road Maintenance Services Contract. \$198,408 increase in amortization. \$216,906 increase in Transit contract.
Environmental Services	1,921,618	1,645,406	276,212	17%	Increases in hydro plant & garbage & recycling contract costs (including offsetting revenues) as well as 1 additional FTE in the year (part time position + split FTE).
Planning and Development Services	1,722,257	1,596,355	125,902	8%	Staffing vacancies during the year however less extreme than the prior year vacancies. \$67,371 in additional operational projects in the year.
Parks and Recreation Services	5,700,551	5,044,842	655,709	13%	\$82,748 increase in utilities costs, \$100,596 increase in materials & supplies costs, \$106,288 increase in amortization, insurance and operational projects.
Water Services	4,546,650	4,261,642	285,008	7%	Higher than prior year due to higher material/supply costs as well as additional users. \$102,398 additional amortization.
Sewer Services	2,409,419	2,296,878	112,541	5%	\$124,561 higher amortization.
Interest Expense	1,111,118	781,376	329,742	42%	Higher interest expense due to full year of fire hall and wastewater treatment plant phase 4 loans in addition to higher interest rate paid on prepaid taxes.
Total	36,655,740	31,041,642	5,614,098	18%	

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 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.

APPLICABLE LEGISLATION, BYLAWS AND POLICY

Section 167 of the Community Charter describes the financial reporting requirements for local governments. Municipal financial statements for a fiscal year must be prepared by the Financial Officer and presented to Council for its acceptance. The financial statements are to be submitted to the Inspector of Municipalities by May 15th of the year following the end of the fiscal year.

IMPACT ON INFRASTRUCTURE, SERVICES AND STAFF CAPACITY (if applicable)

N/A

FINANCIAL IMPLICATIONS

None Budget Previously Approved Other (see below)

Reporting on actual results for 2023.

CONSULTATION (Internal referrals, External Agencies, Committees, Stakeholders)

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.

COMMUNICATIONS (if applicable)

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.

ALIGNMENT WITH COUNCIL STRATEGIC PRIORITIES

- Create and Support Opportunities for a Healthy, Active and Inclusive Community
- Create Infrastructure That Meets Community Needs
- Encourage Growth of the Downtown Core
- Ensure Sustainable Water Service Delivery for the Community
- Explore Opportunities to Engage With Regional Local Governments for the Betterment of the Community
- Honour Reconciliation by Strengthening Relationships and Inclusiveness With Our Indigenous Partners
- Identify and support improvements to the Development Process
- Implement the Agricultural Plan
- Preserve, Protect and Enhance Our Natural Environment
- Secure long term wastewater service delivery for our community
- Support Opportunities to Diversify Lake Country's Tax Base

ALIGNMENT WITH MASTER PLANS

- | | |
|---|---|
| <input checked="" type="checkbox"/> Agricultural Plan | <input checked="" type="checkbox"/> Official Community Plan |
| <input checked="" type="checkbox"/> Climate Action Charter | <input checked="" type="checkbox"/> Parks & Recreation Master Plan 2019 |
| <input checked="" type="checkbox"/> Housing Needs Report | <input checked="" type="checkbox"/> Sanitary Sewer System Map |
| <input checked="" type="checkbox"/> Liquid Waste Management Plan Stage 1/2 Report | <input checked="" type="checkbox"/> Transit Future Plan-Central Okanagan Region-DRAFT |
| <input checked="" type="checkbox"/> McCoubrey Plateau Area Structure Plan | <input checked="" type="checkbox"/> Transportation for Tomorrow |
| <input checked="" type="checkbox"/> Mobility Master Plan | <input checked="" type="checkbox"/> Water Master Plan |

OPTIONS

- A. THAT the District of Lake Country's 2023 draft Financial Statements be approved.
 B. THAT the District of Lake Country's 2023 draft Financial Statements not be approved.

Respectfully Submitted,
 Trevor James, CFO, Director of Finance & Administration

Report Approval Details

Document Title:	2023 Financial Statements.docx
Attachments:	- Attachment A - 2023 Financial Statements - Draft.pdf - Attachment B - LTD.pdf
Final Approval Date:	May 3, 2024

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

Reyna Seabrook, Director of Corporate Services - May 3, 2024 - 11:05 AM

Paul Gipps, Chief Administrative Officer - May 3, 2024 - 11:17 AM