

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Consolidated Financial Statements**  
**Year Ended December 31, 2019**

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Index to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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The consolidated financial statements of Shawnigan Improvement District have been prepared in accordance with Canadian public sector accounting standards (PSAS). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Shawnigan Improvement District's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility by meeting periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Board approves the financial statements and considers, for review approval by the members, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited on behalf of the members by Morine & Schindler LLP in accordance with Canadian public sector accounting standards (PSAS).

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Ms. Karen Berezcki, Administrator

Shawnigan Lake, BC  
April 24, 2020

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Shawnigan Improvement District

*Report on the Consolidated Financial Statements*

*Opinion*

We have audited the consolidated financial statements of Shawnigan Improvement District (the District), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, changes in accumulated surplus, changes in net financial debt and cash flows 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 District as at December 31, 2019, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

*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 District in accordance with 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 Matter*

The consolidated financial statements for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 15, 2019.

*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 PSAS, 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 District'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 District or to cease operations, or has no realistic alternative but to do so.

(continues)

Independent Auditor's Report to the Members of Shawnigan Improvement District *(continued)*

Those charged with governance are responsible for overseeing the District'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 District'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 District'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 District 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.

*Report on Other Legal and Regulatory Requirements*

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the consolidated financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.



**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Consolidated Statement of Financial Position**  
**December 31, 2019**

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash	\$ 1,191,458	\$ 735,535
Marketable securities	1,702	1,670
Accounts receivable	3,838	4,760
GST receivable	36,542	11,670
	<b>1,233,540</b>	<b>753,635</b>
<b>LIABILITIES</b>		
Accounts payable	325,544	11,924
Deferred income	396,500	365,000
Long term debt (Note 4)	2,636,123	2,330,403
	<b>3,358,167</b>	<b>2,707,327</b>
<b>NET FINANCIAL DEBT</b>	<b>(2,124,627)</b>	<b>(1,953,692)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 3)	5,264,213	5,002,364
<b>ACCUMULATED SURPLUS</b>	<b>\$ 3,139,586</b>	<b>\$ 3,048,672</b>

**ON BEHALF OF BOARD OF TRUSTEES**

\_\_\_\_\_ *Trustee*

\_\_\_\_\_ *Trustee*

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2019**

	Budget (Note 6) 2019	Total 2019	Total 2018
<b>REVENUES</b>			
Property taxes	\$ 943,682	\$ 943,682	\$ 863,682
Fire tolls	42,200	24,556	47,944
Investment income	2,500	10,266	5,335
Other income	1,860	-	1,700
	990,242	978,504	918,661
<b>EXPENSES</b>			
Advertising and promotion	1,020	281	1,025
Amortization	-	328,934	300,110
Admin gratuity	14,000	14,821	14,323
Admin assistant wage	16,201	6,780	6,600
Radio license	800	772	772
Deputy chief's gratuity	3,500	3,500	3,500
Fire chief's gratuity	45,000	45,000	42,000
Insurance	35,882	35,402	33,044
Interest and bank charges	700	772	562
Interest on long term debt	69,402	74,213	73,884
Firemen's insurance	5,500	5,269	5,257
Honoraria	12,000	14,000	12,000
Memberships, travel and conventions	4,072	2,478	2,507
Firemen's training	47,000	24,739	37,197
Firemen's gratuity	141,151	149,748	128,792
WCB	4,088	4,480	3,831
Professional fees	8,100	11,131	5,850
Repairs, maintenance, clothing and supplies	79,459	62,901	53,660
Employee benefits	5,182	8,136	7,559
Street lighting	8,321	7,805	7,705
Utilities	36,765	33,725	34,448
Vehicle/fireboat fuel, insurance and maintenance	45,319	52,703	42,853
	583,462	887,590	817,479
<b>ANNUAL SURPLUS</b>	\$ 406,780	\$ 90,914	\$ 101,182

See notes to financial statements

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Consolidated Statement of Changes in Accumulated Surplus**  
**Year Ended December 31, 2019**

	<b>2019</b>	2018
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<b>\$ 3,048,672</b>	\$ 2,947,490
ANNUAL SURPLUS	<u>90,914</u>	101,182
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<b><u>\$ 3,139,586</u></b>	<b>\$ 3,048,672</b>



**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Consolidated Statement of Changes in Net Financial Debt**  
**Year Ended December 31, 2019**

	Budget 2019	2019	2018
<b>ANNUAL SURPLUS</b>	\$ 406,780	\$ 90,914	\$ 101,182
Amortization of tangible capital assets	-	328,934	300,110
Purchase of tangible capital assets	-	(590,783)	(106,159)
	-	(261,849)	193,951
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	406,780	(170,935)	295,133
<b>NET FINANCIAL DEBT - BEGINNING OF YEAR</b>	(1,953,692)	(1,953,692)	(2,248,825)
<b>NET FINANCIAL DEBT - END OF YEAR</b>	\$ (1,546,912)	\$ (2,124,627)	\$ (1,953,692)

See notes to financial statements

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 90,914	\$ 101,182
Item not affecting cash:		
Amortization of tangible assets	<u>328,934</u>	300,110
	<u>419,848</u>	<u>401,292</u>
Changes in non-cash working capital:		
Accounts receivable	922	48,977
GST receivable	(24,872)	55,444
Marketable securities	(32)	(27)
Accounts payable	313,620	(1,628)
Deferred income	<u>31,500</u>	<u>40,000</u>
	<u>321,138</u>	<u>142,766</u>
Cash flow from operating activities	<u>740,986</u>	<u>544,058</u>
<b>INVESTING ACTIVITY</b>		
Purchase of tangible capital assets	<u>(590,783)</u>	(106,159)
Cash flow used by investing activity	<u>(590,783)</u>	(106,159)
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term financing	658,701	-
Repayment of long term debt	<u>(352,981)</u>	<u>(139,798)</u>
Cash flow from (used by) financing activities	<u>305,720</u>	<u>(139,798)</u>
<b>INCREASE IN CASH FLOW</b>	<b>455,923</b>	298,101
Cash - beginning of year	<u>735,535</u>	437,434
<b>CASH - END OF YEAR</b>	<b>\$ 1,191,458</b>	<b>\$ 735,535</b>

See notes to financial statements

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

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1. PURPOSE OF THE DISTRICT

Shawnigan Improvement District (the "District") is incorporated under the Local Government Act (BC) Part 17. The objective of the District is to supply fire protection and street lighting within its boundaries.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements were prepared in accordance with Canadian public sector accounting standards (GAAP).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. 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 District is either directly responsible or accepts 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, 2019. At each financial reporting date, the District 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 District 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, 2019 the District has not recorded any liability for contaminated sites as no sites exist.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives (ranging from 15 to 50 years) on a straight-line basis.

The district regularly reviews its tangible capital assets to eliminate obsolete items. Government grants are treated as a reduction of tangible capital assets cost.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The district recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured
- amounts received but not earned are recorded as deferred revenue.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

3. TANGIBLE CAPITAL ASSETS

<u>Cost</u>	2018 Balance	Additions	Disposals	2019 Balance
Buildings	\$ 3,085,638	\$ 49,550	\$ -	\$ 3,135,188
Equipment	5,006,829	541,233	-	5,548,062
	<b>\$ 8,092,467</b>	<b>\$ 590,783</b>	<b>\$ -</b>	<b>\$ 8,683,250</b>
<u>Accumulated Amortization</u>	2018 Balance	Amortization	Accumulated Amortization on Disposals	2019 Balance
Buildings	\$ 971,365	\$ 78,927	\$ -	\$ 1,050,292
Equipment	2,118,738	250,007	-	2,368,745
	<b>\$ 3,090,103</b>	<b>\$ 328,934</b>	<b>\$ -</b>	<b>\$ 3,419,037</b>
<u>Net book value</u>			2019	2018
Buildings			<b>\$ 2,084,896</b>	\$ 2,114,273
Equipment			<b>3,179,317</b>	2,888,091
			<b>\$ 5,264,213</b>	<b>\$ 5,002,364</b>

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

4. LONG TERM DEBT

	2019	2018
Ministry of Provincial Revenue loan bearing interest at 4% per annum, repayable in annual blended payments of \$35,067. The loan matures on February 27, 2024 and is secured by Bylaw 116 (Pumper Truck).	<b>\$ 127,288</b>	\$ 156,110
Ministry of Provincial Revenue loan bearing interest at 4% per annum, repayable in monthly blended payments of \$28,688. The loan matures on February 27, 2029 and is secured by Bylaw 117 (Fire Station 1 Expansion).	<b>213,307</b>	232,688
Ministry of Provincial Revenue loan bearing interest at 3.1% per annum, repayable in monthly blended payments of \$21,001. The loan matures on April 18, 2026 and is secured by Bylaw 124 (Tanker Truck).	<b>113,392</b>	130,352
Ministry of Provincial Revenue loan bearing interest at 2.75% per annum, repayable in monthly blended payments of \$128,926. The loan matures on March 10, 2026 and is secured by Bylaw 136 (Fire Station 3 Development).	<b>1,732,136</b>	1,811,253
Ministry of Provincial Revenue loan bearing interest at 3.2% per annum, repayable in monthly blended payments of \$37,814. The loan matures on July 2, 2034 and is secured by Bylaw 145 (Tender 3) .	<b>450,000</b>	-
	<b>\$ 2,636,123</b>	\$ 2,330,403

Principal repayment terms are approximately:

2020	\$ 177,531
2021	178,022
2022	183,742
2023	189,651
2024	160,688
Thereafter	1,746,489
	<b>\$ 2,636,123</b>

5. FINANCIAL INSTRUMENTS

The District, as part of its operations, carries a number of financial instruments. The District's financial instruments consist of cash and term deposits, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the District is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

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6. Budget

The district does not differentiate capital from operating budgets. The following is a reconciliation of the budget appearing on the Consolidated Statement of Operations and the budget as approved by the Board of trustees during the year.

• Net surplus per approved budget	0
• new loans	(450,000)
• capital purchases	562,500
• transfer to renewal reserve	150,000
• principal payments	<u>144,280</u>
• Net budget surplus herein	<u>406,780</u>

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**SHAWNIGAN IMPROVEMENT DISTRICT**

**Operations**

**(Schedule 1)**

**Year Ended December 31, 2019**

	2019	2018
<b>REVENUES</b>		
Property taxes	\$ 943,682	\$ 863,682
Fire tolls	24,556	47,944
Investment income	5,697	3,716
Other income	-	1,700
	<u>973,935</u>	<u>917,042</u>
<b>EXPENSES</b>		
Advertising and promotion	281	1,025
Admin gratuity	14,821	14,323
Admin assistant wage	6,780	6,600
Radio license	772	772
Deputy chief's gratuity	3,500	3,500
Fire chief's gratuity	45,000	42,000
Insurance	35,402	33,044
Interest and bank charges	774	563
Interest on long term debt	74,213	73,884
Firemen's insurance	5,269	5,257
Honoraria	14,000	12,000
Memberships, travel and conventions	2,478	2,507
Firemen's training	24,739	37,197
Firemen's gratuity	149,748	128,792
WCB	4,480	3,831
Professional fees	11,131	5,850
Repairs, maintenance, clothing and supplies	62,901	53,660
Employee benefits	8,136	7,559
Street lighting	7,805	7,705
Utilities	33,725	34,448
Vehicle/fireboat fuel, insurance and maintenance	52,703	42,853
	<u>558,658</u>	<u>517,370</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>415,277</u>	399,672
<b>SURPLUS (DEFICIENCY) BEGINNING OF YEAR</b>	<u>149,815</u>	121,098
Transfer	(150,000)	(125,000)
Transfer of purchase tangible capital assets	(590,783)	(106,158)
Transfer of new loans	450,000	-
Transfer of repayment of long term debt	(144,280)	(139,799)
	<u>(435,063)</u>	<u>(370,957)</u>
<b>SURPLUS (DEFICIENCY) END OF YEAR</b>	<u>\$ 130,029</u>	<u>\$ 149,813</u>

See notes to financial statements

**SHAWNIGAN IMPROVEMENT DISTRICT**

**Renewal Reserve Fund**

**(Schedule 2)**

**Year Ended December 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>		
Investment income	\$ 4,569	\$ 1,618
<b>EXPENSES</b>	<u>-</u>	<u>-</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>4,569</u>	<u>1,618</u>
<b>SURPLUS (DEFICIENCY) BEGINNING OF YEAR</b>	<u>226,896</u>	<u>100,278</u>
Transfer	<u>150,000</u>	<u>125,000</u>
<b>SURPLUS (DEFICIENCY) END OF YEAR</b>	<u>\$ 381,465</u>	<u>\$ 226,896</u>



**SHAWNIGAN IMPROVEMENT DISTRICT****Equity in tangible capital assets****(Schedule 3)****Year Ended December 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EXPENSES</b>		
Amortization	<u><b>328,934</b></u>	<u>300,110</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u><b>(328,934)</b></u>	<u>(300,110)</u>
<b>SURPLUS (DEFICIENCY) BEGINNING OF YEAR</b>	<u><b>2,671,961</b></u>	<u>2,726,114</u>
Transfer of purchase tangible capital assets	<b>590,783</b>	106,158
Transfer of new loans	<b>(450,000)</b>	-
Transfer of repayment of long term debt	<u><b>144,280</b></u>	<u>139,799</u>
	<u><b>285,063</b></u>	<u>245,957</u>
<b>SURPLUS (DEFICIENCY) END OF YEAR</b>	<u><b>\$ 2,628,090</b></u>	<u>\$ 2,671,961</u>