

SHAWNIGAN IMPROVEMENT DISTRICT
Financial Statements
Year Ended December 31, 2017

SHAWNIGAN IMPROVEMENT DISTRICT
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Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of SHAWNIGAN IMPROVEMENT DISTRICT

We have audited the accompanying financial statements of SHAWNIGAN IMPROVEMENT DISTRICT, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Members of SHAWNIGAN IMPROVEMENT DISTRICT *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SHAWNIGAN IMPROVEMENT DISTRICT as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of SHAWNIGAN IMPROVEMENT DISTRICT for the year ended December 31, 2016 were audited by Anton, Bryson & Schindler Chartered Professional Accountants LLP of Nanaimo, Canada, prior to its merger with MNP LLP. Anton, Bryson & Schindler Chartered Professional Accountants LLP expressed an unmodified opinion on those statements on April 20, 2017.

Nanaimo, British Columbia
April 10, 2018

MNP LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

SHAWNIGAN IMPROVEMENT DISTRICT
Statement of Financial Position
December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 437,434	\$ 411,297
Marketable securities	1,643	1,628
Accounts receivable	53,737	9,470
Goods and services tax recoverable	67,114	90,084
	<u>559,928</u>	<u>512,479</u>
LIABILITIES		
Accounts payable and accrued liabilities	13,550	156,538
Wages payable	-	2,342
Deferred income	325,000	300,000
Long term debt (Note 3)	2,470,203	1,471,779
	<u>2,808,753</u>	<u>1,930,659</u>
NET FINANCIAL ASSETS	<u>(2,248,825)</u>	<u>(1,418,180)</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 2)	<u>5,196,317</u>	<u>4,154,094</u>
ACCUMULATED SURPLUS	<u>\$ 2,947,492</u>	<u>\$ 2,735,914</u>

ON BEHALF OF THE BOARD

_____ *Trustee*

_____ *Trustee*

SHAWNIGAN IMPROVEMENT DISTRICT
Statement of Operations
Year Ended December 31, 2017

	2017	2016
REVENUE		
Taxes	\$ 891,335	\$ 645,231
Other income	6,641	3,201
Fire tolls	53,644	9,377
Interest income	3,700	3,589
	<u>955,320</u>	<u>661,398</u>
EXPENSES		
Admin gratuity	12,000	10,500
Advertising	564	704
Amortization	254,660	208,360
Audit and legal	5,250	5,000
Bank charges	592	876
Clothing, repairs and supplies	30,632	38,125
Deputy chief's gratuity	3,000	2,200
Fire chief's gratuity	40,000	30,000
Firemen's gratuity	141,908	123,976
Firemen's insurance	5,257	4,770
Firemen's training	28,453	36,435
Honoraria (Note 5)	12,000	12,000
Insurance	32,259	20,951
Interest on long term debt	50,981	48,531
Memberships, conventions and travel	2,083	2,962
Radio license	772	772
Repairs and maintenance	30,417	15,857
Snow removal	1,412	-
Street lighting	7,548	7,284
Utilities	36,712	28,334
Vehicle and boat operations	37,572	31,081
Wage benefits	6,701	6,160
Workers' compensation	2,969	2,342
	<u>743,742</u>	<u>637,220</u>
ANNUAL SURPLUS	<u>\$ 211,578</u>	<u>\$ 24,178</u>

SHAWNIGAN IMPROVEMENT DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2017

	2017	2016
ANNUAL SURPLUS	\$ 211,578	\$ 24,178
Amortization	254,660	208,360
Purchase of Tangible Capital Assets	<u>(1,296,882)</u>	<u>(1,132,585)</u>
	<u>(1,042,222)</u>	<u>(924,225)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>(830,645)</u>	<u>(900,047)</u>
Net financial assets, beginning of year	<u>(1,418,180)</u>	<u>(518,133)</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ (2,248,825)</u>	<u>\$ (1,418,180)</u>

SHAWNIGAN IMPROVEMENT DISTRICT**Statement of Cash Flows****Year Ended December 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 211,578	\$ 24,178
Item not affecting cash:		
Amortization of Tangible Capital Assets	<u>254,660</u>	208,360
	<u>466,238</u>	<u>232,538</u>
Changes in non-cash working capital:		
Accounts receivable	(44,267)	(83)
Other receivables	22,970	(61,460)
Accounts payable and accrued liabilities	(142,989)	134,692
Deferred income	25,000	300,000
Wages payable	(2,342)	904
	<u>(141,628)</u>	<u>374,053</u>
Cash flow from operating activities	<u>324,610</u>	<u>606,591</u>
INVESTING ACTIVITY		
Purchase of Tangible Capital Assets	<u>(1,296,882)</u>	<u>(1,132,585)</u>
FINANCING ACTIVITIES		
Proceeds from long term borrowing	2,159,347	272,255
Repayment of long term debt	<u>(1,160,923)</u>	<u>(112,151)</u>
Cash flow from financing activities	<u>998,424</u>	<u>160,104</u>
INCREASE (DECREASE) IN CASH FLOW	26,152	(365,890)
Cash - beginning of year	<u>412,925</u>	<u>778,815</u>
CASH - END OF YEAR	\$ 439,077	\$ 412,925
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 51,574</u>	<u>\$ 49,407</u>
CASH CONSISTS OF:		
Cash	\$ 437,434	\$ 411,297
Marketable securities	<u>1,643</u>	<u>1,628</u>
	<u>\$ 439,077</u>	<u>\$ 412,925</u>

SHAWNIGAN IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

NATURE OF OPERATIONS

SHAWNIGAN IMPROVEMENT DISTRICT (the "organization") is incorporated under the Local Government Act (BC) Part 17. The objective of the organization is to supply fire protection and street lighting within its boundaries.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles for governments, as defined in the CICA Public Sector Accounting and Auditing Handbook, which encompasses the following principles:

Fund accounting

The organization records accounting transactions using the fund accounting method generally in use for governments. A fund is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Each fund has its own statement of operations which presents the results of operations for the fund. The statement of financial position of the organization includes the assets, liabilities and accumulated surplus of all funds presented in the financial statements.

The various funds, being the capital fund, which accounts for the Tangible Capital Assets of the organization and the revenue fund, which includes the operations of the organization have been amalgamated for the purpose of presentation in the financial statements. The revenue fund is split into two categories. Operations accounts for the day-to-day activities of providing services. Renewal reserve, which was established for purchase and replacement of property, plant and equipment, requires a Bylaw for withdrawal. Details of the operations of each program are set out in the supplementary schedules.

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst programs have not necessarily been eliminated on the individual schedules.

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.

Revenue recognition

Revenue is recorded on the accrual basis and 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.

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SHAWNIGAN IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2017

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

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles for governments 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.

2. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Buildings	\$ 3,041,841	\$ 894,771	\$ 2,147,070	\$ 2,173,382
Equipment	5,324,502	2,275,255	3,049,247	1,980,712
	\$ 8,366,343	\$ 3,170,026	\$ 5,196,317	\$ 4,154,094

3. LONG TERM DEBT

	2017	2016
Ministry of Provincial Revenue loan bearing interest at 6% per annum, repayable in annual blended payments of \$60,475. The loan matured on November 15, 2017 and was issued under Bylaw 102 (Ladder Truck - 2002).	\$ -	\$ 57,052
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 issued under Bylaw 116 (Pumper Truck - 2009).	183,824	210,472
Ministry of Provincial Revenue loan bearing interest at 4% per annum, repayable in annual blended payments of \$28,688. The loan matures on February 27, 2029 and is issued under Bylaw 117 (Fire Station 1 Expansion - 2009).	251,324	269,242
Ministry of Provincial Revenue loan bearing interest at 3.1% per annum, repayable in annual blended payments of \$21,001. The loan matures on April 18, 2026 and is issued under Bylaw 124 (Tanker Truck - 2011).	146,803	162,758
RBC loan bearing interest at prime plus .25% per annum. The loan matured on September 30, 2017 and was issued under Bylaw 126.	-	772,255

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SHAWNIGAN IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

3. LONG TERM DEBT *(continued)*

Ministry of Provincial Revenue loan bearing interest at 2.75% per annum, repayable in annual blended payments of \$128,926. The loan matures on March 10, 2026 and is issued under Bylaw #136 (Fire Station 3 Development - 2017).

<u>2017</u>	<u>2016</u>
<u>1,888,252</u>	-
<u>\$ 2,470,203</u>	<u>\$ 1,471,779</u>

Principal repayment terms are approximately:

2018	\$ 139,799
2019	144,280
2020	148,910
2021	153,692
2022	158,634

4. FINANCIAL INSTRUMENTS

Fair value

The organization's carrying value of cash and cash equivalents, accounts receivable, prepaid expenses, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its long term debt.

5. RELATED PARTY TRANSACTIONS

The following is a summary of the organization's related party transactions:

	<u>2017</u>	<u>2016</u>
<i>Trustees</i>		
Honoraria	<u>\$ 12,000</u>	<u>\$ 12,000</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by resolution at the prior year's Annual General Meeting.

SHAWNIGAN IMPROVEMENT DISTRICT
Segmented Information
Year Ended December 31, 2017

	Operations	Renewal Reserve	Tangible Capital Assets	2017
REVENUE				
Taxes	\$ 891,335	\$ -	\$ -	\$ 891,335
Other income	6,641	-	-	6,641
Fire tolls	53,644	-	-	53,644
Interest income	1,928	1,772	-	3,700
	<u>953,548</u>	<u>1,772</u>	<u>-</u>	<u>955,320</u>
EXPENSES				
Admin gratuity	12,000	-	-	12,000
Advertising	564	-	-	564
Amortization	-	-	254,660	254,660
Audit and legal	5,250	-	-	5,250
Bank charges	592	-	-	592
Clothing, repairs and supplies	30,632	-	-	30,632
Deputy chief's gratuity	3,000	-	-	3,000
Fire chief's gratuity	40,000	-	-	40,000
Firemen's gratuity	141,908	-	-	141,908
Firemen's insurance	5,257	-	-	5,257
Firemen's training	28,453	-	-	28,453
Honoraria	12,000	-	-	12,000
Insurance	32,259	-	-	32,259
Interest on long term debt	50,981	-	-	50,981
Memberships, conventions and travel	2,083	-	-	2,083
Radio license	772	-	-	772
Repairs and maintenance	30,417	-	-	30,417
Snow removal	1,412	-	-	1,412
Street lighting	7,548	-	-	7,548
Utilities	36,712	-	-	36,712
Vehicle and boat operations	37,572	-	-	37,572
Wage benefits	6,701	-	-	6,701
Workers' compensation	2,969	-	-	2,969
	<u>489,082</u>	<u>-</u>	<u>254,660</u>	<u>743,742</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>464,466</u>	<u>1,772</u>	<u>(254,660)</u>	<u>211,578</u>
SURPLUS (DEFICIT) BEGINNING OF YEAR	(410,923)	464,521	2,682,316	2,735,914
Transfers	(85,000)	85,000	-	-
Transfer to fund capital asset acquisitions	(845,866)	(451,016)	1,296,882	-
Transfer of principal payments	(1,160,923)	-	1,160,923	-
Transfer of proceeds of long term debt	2,159,347	-	(2,159,347)	-
	<u>(343,365)</u>	<u>98,505</u>	<u>2,980,774</u>	<u>2,735,914</u>
SURPLUS (DEFICIT) END OF YEAR	<u>\$ 121,101</u>	<u>\$ 100,277</u>	<u>\$ 2,726,114</u>	<u>\$ 2,947,492</u>

SHAWNIGAN IMPROVEMENT DISTRICT

Operations

(Schedule 1)

Year Ended December 31, 2017

	2017	2016
REVENUE		
Taxes	\$ 891,335	\$ 645,231
Fire tolls	53,644	9,377
Other income	6,641	3,201
Interest income	1,928	981
	<u>953,548</u>	<u>658,790</u>
EXPENSES		
Admin gratuity	12,000	10,500
Advertising	564	704
Audit and legal	5,250	5,000
Bank charges	592	876
Clothing, repairs and supplies	30,632	38,126
Deputy chief's gratuity	3,000	2,200
Fire chief's gratuity	40,000	30,000
Firemen's gratuity	141,908	123,976
Firemen's insurance	5,257	4,770
Firemen's training	28,453	36,435
Honoraria	12,000	12,000
Insurance	32,259	20,951
Interest on long term debt	50,981	48,531
Memberships, conventions and travel	2,083	2,962
Radio license	772	772
Repairs and maintenance	30,417	15,857
Snow removal	1,412	-
Street lighting	7,548	7,284
Utilities	36,712	28,334
Vehicle and boat operations	37,572	31,081
Wage benefits	6,701	6,160
Workers' compensation	2,969	2,342
	<u>489,082</u>	<u>428,861</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>464,466</u>	<u>229,929</u>
SURPLUS (DEFICIT), BEGINNING OF YEAR	<u>(410,923)</u>	<u>381,629</u>
TRANSFERS		
Transfers	(85,000)	(50,000)
Transfer to fund capital asset acquisitions	(845,866)	(1,132,585)
Transfer of principal payments	(1,160,923)	(112,151)
Transfer of proceeds of long term debt	2,159,347	272,255
	<u>67,558</u>	
SURPLUS (DEFICIT), END OF YEAR	<u>\$ 121,101</u>	<u>\$ (410,923)</u>

SHAWNIGAN IMPROVEMENT DISTRICT

Renewal Reserve Fund

(Schedule 2)

Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Interest income	\$ 1,772	\$ 2,608
EXPENSES	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>1,772</u>	<u>2,608</u>
SURPLUS (DEFICIT), BEGINNING OF YEAR	<u>464,521</u>	<u>411,913</u>
TRANSFERS		
Transfers	85,000	50,000
Transfer to fund capital asset acquisitions	<u>(451,016)</u>	<u>-</u>
	<u>(366,016)</u>	<u>50,000</u>
SURPLUS (DEFICIT), END OF YEAR	<u>\$ 100,277</u>	<u>\$ 464,521</u>

SHAWNIGAN IMPROVEMENT DISTRICT**Equity in Capital Assets****(Schedule 3)****Year Ended December 31, 2017**

	2017	2016
REVENUE	\$ -	\$ -
EXPENSES		
Amortization	254,660	208,360
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(254,660)	(208,360)
SURPLUS (DEFICIT), BEGINNING OF YEAR	2,682,316	1,918,194
TRANSFERS		
Transfer to fund capital asset acquisitions	1,296,882	1,132,585
Transfer of principal payments	1,160,923	112,151
Transfer of proceeds of long term debt	(2,159,347)	(272,254)
	298,458	972,482
SURPLUS (DEFICIT), END OF YEAR	\$ 2,726,114	\$ 2,682,316