

Consolidated Financial Statements of

**SHAWNIGAN
IMPROVEMENT DISTRICT**

Year ended December-31-09

SHAWNIGAN IMPROVEMENT DISTRICT

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Year ended December-31-09

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AUDITORS' REPORT

To the Members of Shawnigan Improvement District

We have audited the consolidated statement of financial position of Shawnigan Improvement District as at December-31-09 and the consolidated statements of operations, changes in net debt and cash flows for the year then ended. These consolidated financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the District as at December-31-09 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Mill Bay, Canada
April 19, 2010

SHAWNIGAN IMPROVEMENT DISTRICT

Consolidated Statement of Financial Position

Exhibit A

December-31-09, with comparative figures for 2008

	2009	2008
Financial Assets		
Cash	\$ 105,063	\$ 319,022
Investments and marketable securities	251,141	248,424
Accounts receivable	50,898	29,579
Total Financial Assets	\$ 407,102	\$ 597,025
Liabilities		
Accounts payable and accrued liabilities	\$ 53,060	\$ 124,995
Deferred revenue	-	200,000
Long-term debt (note 3)	1,122,740	661,330
Total Liabilities	\$ 1,175,800	\$ 986,325
Net Debt	\$ (768,698)	\$ (389,300)
Non-Financial Assets		
Deposits on tangible capital assets	125,000	375,000
Tangible Capital Assets	2,898,869	2,396,050
Total Non-Financial Assets	3,023,869	2,771,050
Accumulated Surplus - exhibit B	\$ 2,255,171	\$ 2,381,750

See accompanying notes to consolidated financial statements.

On behalf of the District:

SHAWNIGAN IMPROVEMENT DISTRICT

Consolidated Statement of Operations

Exhibit B

Year ended December-31-09, with comparative figures for 2008

	2009	2008
Revenue:		
Taxes - Operations	\$ -	\$ 387,000
Taxes - Long-term debt and interest	124,230	60,475
Fire tolls	15,070	14,454
Interest income	2,852	8,937
Miscellaneous	2,574	3,334
Other income	150,000	250,000
	<u>294,726</u>	<u>724,200</u>
Expenses:		
Workers compensation	858	778
Advertising	6,593	5,492
Amortization	156,742	145,744
Vehicle and boat operation	25,522	35,931
Automotive	4,869	4,828
Firemen's gratuity	58,533	55,063
Interest and bank charges	459	231
Repairs and maintenance	20,045	28,045
Group supplies	7,200	7,000
Firemen's training	10,076	11,288
Utilities	21,461	18,406
Interest and collection charges	37,450	27,020
Fire chief's gratuity	5,000	5,000
Clothing, repairs and supplies	21,090	20,330
Program development	9,000	7,500
Membership, convention and travel	3,251	2,372
Advertising	496	677
Snow removal	550	1,451
Fire chief's vehicle allowance	1,400	1,400
Repairs and maintenance	18,323	16,985
Firemen's insurance	3,822	3,764
Wage benefits	1,616	1,605
Staff development	615	1,433
Radio licences	734	734
Deputy chief's gratuity	1,100	1,008
Audit and legal	4,500	4,256
	<u>421,305</u>	<u>408,341</u>
Annual Surplus	(126,579)	315,859
Accumulated Surplus, beginning of year	2,381,750	2,065,891
Accumulated Surplus, end of year	<u>\$ 2,255,171</u>	<u>\$ 2,381,750</u>

See accompanying notes to consolidated financial statements.

SHAWNIGAN IMPROVEMENT DISTRICT

Consolidated Statement of Changes in Net Debt

Exhibit C

Year ended December-31-09, with comparative figures for 2008

	2009	2008
Annual Surplus	\$ (126,579)	\$ 315,859
Amortization	156,742	145,744
Purchase of capital assets	(659,561)	(434,142)
Deposits on capital property	250,000	(250,002)
(Increase), decrease in net debt	(379,398)	(222,541)
Net debt, beginning of year	(389,300)	(166,759)
Net debt, end of year	\$ (768,698)	\$ (389,300)

See accompanying notes to consolidated financial statements.

SHAWNIGAN IMPROVEMENT DISTRICT

Consolidated Statement of Cash Flows

Exhibit D

Year ended December-31-09, with comparative figures for 2008

	2009	2008
Cash flows from operating activities:		
Annual Surplus	\$ (126,579)	\$ 315,859
Items not involving cash		
Depreciation	156,742	145,744
Change in non-cash items on statement of financial position		
Accounts receivable	(21,319)	(21,856)
Accounts payable and accrued liabilities	(71,933)	91,313
Deferred revenue	(200,000)	200,000
Deposits on tangible capital assets	249,999	(250,000)
	(13,090)	481,060
Cash flows from financing activities:		
Increase in long-term debt	461,410	250,000
Decrease in long-term debt	-	(33,769)
	461,410	216,231
Cash flows from investing activities:		
Purchase of capital assets	(659,561)	(434,142)
Investments and marketable securities	(2,718)	(8,768)
	(662,279)	(442,910)
Increase (decrease) in cash	(213,959)	254,381
Cash, beginning of year	319,022	64,641
Cash, end of year	\$ 105,063	\$ 319,022

See accompanying notes to consolidated financial statements.

SHAWNIGAN IMPROVEMENT DISTRICT

Statement of Operations by Program (Deficit)
Exhibit E

Year ended December-31-09, with comparative figures for 2008

Schedule	Program	Revenue	Expenses	Annual surplus
1	Operations	\$ 142,683	\$ 264,563	\$ (121,880)
2	Renewal reserve	152,043	156,742	(4,699)
Total		\$ 294,726	\$ 421,305	\$ (126,579)

See accompanying notes to consolidated financial statements.

SHAWNIGAN IMPROVEMENT DISTRICT

Notes to Consolidated Financial Statements

Year ended December-31-09

The Shawnigan Improvement District is an improvement district incorporated under the Local Government Act (BC) Part 23. The Improvement District supplies provides the functions of fire protection, street lighting and park maintenance.

1. Significant accounting policies:

These consolidated 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:

(a) Fund accounting:

The Shawnigan Improvement District 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 financial position of the District is shown on the statement of financial position which includes the assets, liabilities and accumulated surplus of all funds presented in the financial statements.

The various funds have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each fund are set out in the supplementary schedules. The Revenue Fund reports the operating activities of the district. This fund is divided into two categories. Operations accounts for day-to-day activities of providing services. Renewal reserve, which was established for purchase and replacement of property, plant and equipment, requires ministerial approval for withdrawal.

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

(b) Tangible Capital Assets:

Tangible capital assets are recorded at cost. Commencing in 2009 (with comparative figures being restated) all tangible capital assets have been included in the statement of financial position. Amortization is recognized as an expense in the statement of operations and is calculated using the straight-line method over periods of time ranging from 15 to 50 years.

(c) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

SHAWNIGAN IMPROVEMENT DISTRICT

Notes to Consolidated Financial Statements

Year ended December-31-09

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments include cash, term deposits, accounts receivable, accounts payable, and long term debt, all of which have fair values that approximate their carrying values.

(e) Revenue:

Revenue is recorded on the accrual basis and amounts received or receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

2. Tangible Capital Assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 3,245,392	\$ 1,102,520	\$ 2,142,872	\$ 1,658,156
Buildings	1,314,517	558,520	755,997	737,894
	\$ 4,559,909	\$ 1,661,040	\$ 2,898,869	\$ 2,396,050

3. Long-term debt:

	2009	2008
By-law #102 issued 2002, maturing 2017, bearing interest at 6% per annum	\$ 375,536	\$ 411,330
By-law #116 issued 2009, maturing 2024, bearing interest at 4% per annum.	370,413	-
By-law #117 issued 2009, maturing 2029, bearing interest at 4% per annum.	376,791	-
Royal Bank demand loan, bearing interest at prime plus .25% per annum.	-	250,000
	\$ 1,122,740	\$ 661,330

Principal payments required over the next five years are as follows:

SHAWNIGAN IMPROVEMENT DISTRICT

Notes to Consolidated Financial Statements

Year ended December-31-09

3. Long-term debt:

2010	\$	71,809
2011		75,440
2012		79,262
2013		83,285
2014		87,521

4. Related party transactions:

The amount shown for honoraria represents amounts paid to trustees. Included in wage expense are wages of \$20,920 paid to account holder #108 for his service as system operator and is approved by the board members on a monthly basis.

5. Comparative figures:

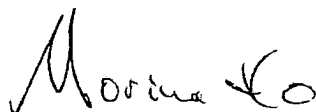
Certain of the 2008 comparative figures have been reclassified to conform with the financial presentation adopted in 2009.

AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Members of the Shawnigan Improvement District

We have audited and reported separately herein on the financial statements of Shawnigan Improvement District as at and for the year ended December 31, 2009.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The supplementary segment information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Chartered Accountants

Mill Bay, Canada
April 19, 2010

SHAWNIGAN IMPROVEMENT DISTRICT

Schedule of Operations
Operations

Schedule 1

Year ended December-31-09, with comparative figures for 2008

	2009	2008
Revenue:		
Taxes - Operations	\$ -	\$ 387,000
Taxes - Long-term debt and interest	124,230	60,475
Fire tolls	15,070	14,454
Interest income	809	4,784
Miscellaneous	2,574	3,334
	<u>142,683</u>	<u>470,047</u>
Expenses:		
Vehicle and boat operation	25,522	35,931
Workers compensation	858	778
Bank charges	459	231
Firemen's gratuity	58,533	55,063
Insurance - liability	6,593	5,492
Advertising	496	677
Street lighting	4,869	4,828
Wage benefits	1,616	1,605
Secretary - Treasurer's gratuity	7,200	7,000
Firemen's training	10,076	11,288
Utilities	21,461	18,406
Interst and collection charges	37,450	27,020
Fire chief's gratuity	5,000	5,000
Audit and legal	4,500	4,256
Clothing, repairs and supplies	21,090	20,330
Trustees' gratuity	9,000	7,500
Membership, convention and travel	3,251	2,372
Fire chief's vehicle allowance	1,400	1,400
Insurance	18,323	16,985
Snow removal	550	1,451
Firemen's insurance	3,822	3,764
Printing, postage and stationery	615	1,433
Repairs and maintenance	20,045	28,045
Radio licences	734	734
Deputy chief's gratuity	1,100	1,008
	<u>264,563</u>	<u>262,597</u>
Annual surplus	\$ (121,880)	\$ 207,450

SHAWNIGAN IMPROVEMENT DISTRICT

Schedule of Operations
Renewal reserve

Schedule 2

Year ended December-31-09, with comparative figures for 2008
(in thousands of dollars)

	2009	2008
Revenue:		
Interest income	\$ 2,043	\$ 4,153
Other income	150,000	250,000
	152,043	254,153
Expenses:		
Amortization	156,742	145,744
Annual surplus (deficit)	\$ (4,699)	\$ 108,409