

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Financial Statements**  
**Year Ended December 31, 2018**

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Index to Financial Statements**  
**Year Ended December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Shawnigan Improvement District

### Opinion

We have audited the accompanying financial statements of SHAWNIGAN IMPROVEMENT DISTRICT, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

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, 2018, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards

### 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 Financial Statements section of our report. We are independent of the District in accordance with the 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.

### 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.

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.

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### Auditor's Responsibility for the Audit of the 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.

Nanaimo, British Columbia  
April 15, 2019


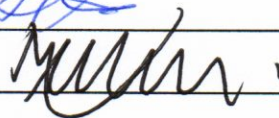
*MNP LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Statement of Financial Position**  
**December 31, 2018**

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash	\$ 735,535	\$ 437,434
Marketable securities (Note 2)	1,670	1,643
Accounts receivable	4,760	53,737
GST receivable	11,670	67,114
	<u>753,635</u>	<u>559,928</u>
<b>LIABILITIES</b>		
Accounts payable and accruals	11,925	13,553
Deferred revenue	365,000	325,000
Long term debt (Note 4)	2,330,404	2,470,202
	<u>2,707,329</u>	<u>2,808,755</u>
<b>NET DEBT</b>	<u>(1,953,694)</u>	<u>(2,248,827)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets (Note 3)	<u>5,002,365</u>	<u>5,196,316</u>
<b>ACCUMULATED SURPLUS</b>		
Contingent Liability (Note 5)	<u>\$ 3,048,671</u>	<u>\$ 2,947,489</u>

Approved on behalf of the Board

  
 \_\_\_\_\_ Trustee  
  
 \_\_\_\_\_ Trustee

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Statement of Operations**  
**Year Ended December 31, 2018**

	2018	2017
<b>REVENUE</b>		
Municipal taxes levied	\$ 863,682	\$ 891,335
Other income	1,700	6,641
Fire Tolls	47,944	53,644
Investment income	5,335	3,700
	<u>918,661</u>	<u>955,320</u>
<b>EXPENSES</b>		
Admin assistant wage	6,600	5,865
Admin gratuity	14,323	12,000
Advertising	1,025	564
Amortization	300,110	254,660
Audit and legal	5,850	5,250
Bank charges	563	593
Clothing, repairs, and supplies	28,944	30,633
Deputy chief's gratuity	3,500	3,000
Fire chief's gratuity	42,000	40,000
Firemen's gratuity	128,792	136,043
Firemen's insurance	5,257	5,257
Firemen's training	37,196	28,453
Honoraria (Note 6)	12,000	12,000
Insurance	33,044	32,259
Interest on long-term debt	73,884	50,981
Memberships, conventions, and travel	2,507	2,083
Radio license	772	772
Repairs and maintenance	24,716	30,417
Snow removal	-	1,412
Street lighting	7,705	7,548
Utilities	34,448	36,712
Vehicle	42,853	37,572
Wage benefits	7,559	6,701
Workers' compensation	3,831	2,969
	<u>817,479</u>	<u>743,744</u>
<b>ANNUAL SURPLUS</b>	<u>\$ 101,182</u>	<u>\$ 211,576</u>

See notes to financial statements

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Statement of Changes in Accumulated Surplus**  
**Year Ended December 31, 2018**

	2017 Balance	Annual surplus (deficit)	Transfers	Capital asset transactions	2018 Balance
Equity in Capital Assets	\$ 2,726,114	\$ (300,110)	\$ -	\$ 245,956	\$ <b>2,671,960</b>
Renewal Reserve	100,277	1,618	125,000	-	<b>226,895</b>
Operations	121,098	399,674	(125,000)	(245,956)	<b>149,816</b>
	<b>\$ 2,947,489</b>	<b>\$ 101,182</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,048,671</b>

	2016 Balance	Annual surplus (deficit)	Transfers	Capital asset transactions	2017 Balance
Equity in Capital Assets	\$ 2,682,318	\$ (254,662)	\$ -	\$ 298,458	\$ 2,726,114
Renewal Reserve	464,521	1,772	85,000	(451,016)	100,277
Operations	(410,926)	464,466	(85,000)	152,558	121,098
	<b>\$ 2,735,913</b>	<b>\$ 211,576</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,947,489</b>

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Statement of Changes in Net Debt**  
**Year Ended December 31, 2018**

	2018	2017
<b>ANNUAL SURPLUS</b>	<b>\$ 101,182</b>	<b>\$ 211,576</b>
Amortization	300,110	254,660
Purchase of Tangible Capital Assets	<u>(106,159)</u>	<u>(1,296,882)</u>
	<u>193,951</u>	<u>(1,042,222)</u>
<b>INCREASE (DECREASE) IN NET DEBT</b>	<b>295,133</b>	<b>(830,646)</b>
Net debt, beginning of year	<u>(2,248,827)</u>	<u>(1,418,181)</u>
<b>NET DEBT, END OF YEAR</b>	<b>\$ (1,953,694)</b>	<b>\$ (2,248,827)</b>



**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 101,182	\$ 211,576
Item not affecting cash:		
Amortization of Tangible Capital Assets	<u>300,110</u>	254,660
	<u>401,292</u>	466,236
Changes in non-cash working capital:		
Accounts receivable	48,977	(44,267)
Goods and Services Tax receivable	55,444	22,970
Accounts payable and accrued liabilities	(1,628)	(145,326)
Deferred revenue	40,000	25,000
Marketable securities	(27)	(15)
	<u>142,766</u>	(141,638)
Cash flow from operating activities	<u>544,058</u>	324,598
<b>INVESTING ACTIVITY</b>		
Purchase of Tangible Capital Assets	<u>(106,159)</u>	(1,296,882)
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term borrowing	-	2,159,347
Repayment of long term debt	<u>(139,798)</u>	(1,160,923)
Cash flow from (used by) financing activities	<u>(139,798)</u>	998,424
<b>INCREASE IN CASH FLOW</b>	<b>298,101</b>	26,140
Cash - beginning of year	<u>437,434</u>	411,294
<b>CASH - END OF YEAR</b>	<b>\$ 735,535</b>	<b>\$ 437,434</b>

See notes to financial statements

**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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NATURE OF OPERATIONS

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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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 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 statement of financial position of the District 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 District and the revenue fund, which includes the operations of the District 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 tangible capital assets, 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. In the year of acquisition, amortization is taken at half a year.

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, 2018

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

#### PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

Effective January 1, 2018, the District adopted the recommendations relating to PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively and prior periods have not been restated.

PS 3210 Assets provides additional guidance to clarify the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets establishes disclosure standards on contingent assets.

PS 3380 Contractual Rights establishes disclosure standards on contractual rights and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the financial statements of adopting the new Sections.

#### PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions

Effective January 1, 2018, the District adopted the recommendations relating to PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

There was no material impact on the financial statements of adopting the new Sections.

#### Cash

Cash includes cash, money market investments and short-term deposits with maturities of less than three months.

#### 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.

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**SHAWNIGAN IMPROVEMENT DISTRICT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

2. MARKETABLE SECURITIES

Short-term investments consist of various term deposits and are valued at cost.

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	<b>2018 Net book value</b>	2017 Net book value
Buildings	\$ 3,085,639	\$ 971,365	<b>\$ 2,114,274</b>	\$ 2,147,069
Equipment	5,006,829	2,118,738	<b>2,888,091</b>	3,049,247
	<b>\$ 8,092,468</b>	<b>\$ 3,090,103</b>	<b>\$ 5,002,365</b>	<b>\$ 5,196,316</b>

4. LONG TERM DEBT

	<b>2018</b>	2017
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).	<b>\$ 156,110</b>	\$ 183,824
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).	<b>232,688</b>	251,324
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).	<b>130,352</b>	146,803
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).	<b>1,811,254</b>	1,888,251
	<b>\$ 2,330,404</b>	<b>\$ 2,470,202</b>

Principal repayment terms are approximately:

2019	\$ 144,280
2020	148,910
2021	153,692
2022	158,634
2023	163,739

**SHAWNIGAN IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

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5. FINANCIAL INSTRUMENTS

Fair value

The District'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 District manages exposure through its normal operating and financing activities. The District is exposed to interest rate risk primarily through its long term debt.

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6. RELATED PARTY TRANSACTIONS

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

	<u>2018</u>	<u>2017</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.

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**SHAWNIGAN IMPROVEMENT DISTRICT**

**Operations**

**(Schedule 1)**

**Year Ended December 31, 2018**

	2018	2017
<b>REVENUE</b>		
Municipal taxes levied	\$ 863,682	\$ 891,335
Other income	1,700	6,641
Fire Tolls	47,944	53,644
Investment income	3,716	1,928
	<u>917,042</u>	<u>953,548</u>
<b>EXPENSES</b>		
Admin assistant wage	6,600	5,865
Admin gratuity	14,323	12,000
Advertising	1,025	564
Audit and legal	5,850	5,250
Bank charges	563	593
Clothing, repairs, and supplies	28,942	30,631
Deputy chief's gratuity	3,500	3,000
Fire chief's gratuity	42,000	40,000
Firemen's gratuity	128,792	136,043
Firemen's insurance	5,257	5,257
Firemen's training	37,197	28,453
Honoraria	12,000	12,000
Insurance	33,044	32,259
Interest on long-term debt	73,884	50,981
Memberships, conventions, and travel	2,507	2,083
Radio license	772	772
Repairs and maintenance	24,716	30,417
Snow removal	-	1,412
Street lighting	7,705	7,548
Utilities	34,448	36,712
Vehicle	42,853	37,572
Wage benefits	7,559	6,701
Workers' compensation	3,831	2,969
	<u>517,368</u>	<u>489,082</u>
<b>ANNUAL SURPLUS</b>	<u>399,674</u>	<u>464,466</u>
<b>ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR</b>	<u>121,098</u>	<u>(410,926)</u>
<b>TRANSFERS</b>		
Transfers	<u>(370,956)</u>	<u>67,558</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 149,816</u>	<u>\$ 121,098</u>

See notes to financial statements

**SHAWNIGAN IMPROVEMENT DISTRICT**

**Renewal Reserve Fund**

**(Schedule 2)**

**Year Ended December 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>REVENUE</b>		
Investment income	<u>\$ 1,618</u>	<u>\$ 1,772</u>
<b>EXPENSES</b>	<u>-</u>	<u>-</u>
<b>ANNUAL SURPLUS</b>	<u>1,618</u>	<u>1,772</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>100,277</u>	<u>464,521</u>
<b>TRANSFERS</b>		
Transfers	<u>125,000</u>	<u>(366,016)</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 226,895</u>	<u>\$ 100,277</u>

**SHAWNIGAN IMPROVEMENT DISTRICT**

**Equity in Capital Assets**

**(Schedule 3)**

**Year Ended December 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>REVENUE</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EXPENSES</b>		
Amortization	<b>300,110</b>	254,660
<b>ANNUAL DEFICIT</b>	<b>(300,110)</b>	(254,660)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>2,726,114</b>	2,682,316
<b>TRANSFERS</b>		
Transfers	<b>245,956</b>	298,458
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 2,671,960</b>	<b>\$ 2,726,114</b>