

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Financial Statements
Year Ended December 31, 2020

SHAWNIGAN IMPROVEMENT DISTRICT
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Year Ended December 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Shawnigan Improvement District have been prepared in accordance with Canadian public sector accounting standards. 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 principally 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 of Trustees 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 CPAs LLP, in accordance with Canadian public sector accounting standards.

Ms. Karen Bereczki, Administrator

Shawnigan Lake, BC
April 12, 2021

Morine & Schindler

CHARTERED PROFESSIONAL ACCOUNTANTS LLP

INDEPENDENT AUDITOR'S REPORT

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, 2020, and the consolidated statements of operations, changes in accumulated surplus, changes in net financial assets (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, 2020, and the consolidated results of its operations and 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 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.

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.

Those charged with governance are responsible for overseeing the district's financial reporting process.

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Morine & Schindler

CHARTERED PROFESSIONAL ACCOUNTANTS LLP

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

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.



Nanaimo, British Columbia
April 12, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Statement of Financial Position
December 31, 2020

FINANCIAL ASSETS

Cash	\$ 1,212,244	\$ 1,191,458
Marketable securities	1,716	1,702
Accounts receivable	24,472	3,838
Goods and services tax recoverable	<u>16,767</u>	<u>36,542</u>
	<u>1,255,199</u>	<u>1,233,540</u>

LIABILITIES

Accounts payable	109,501	325,544
Deferred income	396,500	396,500
Long term debt (<i>Note 4</i>)	<u>2,458,593</u>	<u>2,636,123</u>
	<u>2,964,594</u>	<u>3,358,167</u>
NET FINANCIAL DEBT	<u>(1,709,395)</u>	<u>(2,124,627)</u>

NON-FINANCIAL ASSETS

Tangible capital assets (<i>Note 3</i>)	<u>5,129,622</u>	<u>5,264,213</u>
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ACCUMULATED SURPLUS

<u>\$ 3,420,227</u>	<u>\$ 3,139,586</u>
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ON BEHALF OF THE BOARD OF TRUSTEES

Trustee

Trustee

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Statement of Operations
Year Ended December 31, 2020

	Budget 2020	Total 2020	Total 2019
REVENUES			
Property taxes	\$ 1,044,496	\$ 1,044,496	\$ 943,682
Fire tolls	24,200	24,391	24,556
Investment income	4,000	5,147	10,266
Other income	1,000	2,960	-
Sale of tangible capital asset	-	61,124	-
	1,073,696	1,138,118	978,504
EXPENSES			
Advertising and promotion	1,000	2,082	281
Amortization	-	333,647	328,934
Admin gratuity	16,000	17,461	14,821
Admin assistant wages	17,849	5,793	6,780
Radio license	800	789	772
Deputy chief's gratuity	-	3,700	3,500
Fire chief's gratuity	50,000	50,000	45,000
Insurance	38,476	39,575	35,402
Interest and bank charges	819	1,167	772
Interest on long term debt	73,965	73,965	74,213
Firemen's insurance	5,500	5,262	5,269
Honoraria	14,000	14,000	14,000
Memberships and conventions	3,995	2,133	2,478
Firemen's training	47,000	18,425	24,739
Firemen's gratuity	159,762	132,131	149,748
WCB	4,833	4,655	4,480
Professional fees	8,500	5,500	11,131
Repairs and maintenance	87,428	64,104	62,901
Employee benefits	-	7,117	8,136
Street lighting	8,440	5,642	7,805
Utilities	36,583	32,333	33,725
Vehicle/fireboat, fuel, insurance and maintenance	55,815	37,996	52,703
	630,765	857,477	887,590
ANNUAL SURPLUS	\$ 442,931	\$ 280,641	\$ 90,914

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2020

	2020	2019
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 3,139,586	\$ 3,048,672
ANNUAL SURPLUS	<u>280,641</u>	90,914
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 3,420,227</u>	<u>\$ 3,139,586</u>

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Statement of Changes in Net Financial Assets (Debt)
Year Ended December 31, 2020

	Budget 2020	2020	2019
ANNUAL SURPLUS	\$ 442,931	\$ 280,641	\$ 90,914
Amortization of tangible capital assets	-	333,646	328,934
Purchase of capital assets	-	(199,055)	(590,783)
	-	134,591	(261,849)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	442,931	415,232	(170,935)
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	-	(2,124,627)	(1,953,692)
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ 442,931	\$ (1,709,395)	\$ (2,124,627)

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual surplus	\$ 280,641	\$ 90,914
Item not affecting cash:		
Amortization of tangible capital assets	<u>333,647</u>	328,934
	<u>614,288</u>	419,848
Changes in non-cash working capital:		
Accounts receivable	(20,634)	922
Marketable securities	(14)	(32)
Accounts payable	<u>(216,043)</u>	313,620
Deferred income	-	31,500
Goods and services tax payable	<u>19,775</u>	(24,872)
	<u>(216,916)</u>	321,138
Cash flow from operating activities	<u>397,372</u>	740,986
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(199,055)</u>	(590,783)
Cash flow used by investing activity	<u>(199,055)</u>	(590,783)
FINANCING ACTIVITIES		
Proceeds from long term financing	-	658,701
Repayment of long term debt	<u>(177,531)</u>	(352,981)
Cash flow from (used by) financing activities	<u>(177,531)</u>	305,720
INCREASE IN CASH FLOW	20,786	455,923
Cash - beginning of year	<u>1,191,458</u>	735,535
CASH - END OF YEAR	<u>\$ 1,212,244</u>	\$ 1,191,458

SHAWNIGAN IMPROVEMENT DISTRICT
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

1. PURPOSE OF THE DISTRICT

Shawnigan Improvement District (the "district") is incorporated under the Local Government Act (British Columbia) Part 17.

The district operates to provide fire protection and street lighting within its boundaries.

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, 2020. 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, 2020 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 and 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, 2020

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>	2019			2020	
	Balance	Additions	Disposals	Balance	
Buildings	\$ 3,135,188	\$ 52,090	\$ -	\$ 3,187,278	
Equipment	5,548,062	146,965	-	5,695,027	
	\$ 8,683,250	\$ 199,055	\$ -	\$ 8,882,305	

<u>Accumulated Amortization</u>	2019			2020	
	Balance	Amortization	on Disposals	Balance	
Buildings	\$ 1,050,292	\$ 79,682	\$ -	\$ 1,129,974	
Equipment	2,368,745	253,964	-	2,622,709	
	\$ 3,419,037	\$ 333,646	\$ -	\$ 3,752,683	

<u>Net book value</u>	2020		2019
Buildings	\$ 2,057,304	\$ 2,084,896	
Equipment	3,072,318	3,179,317	
	\$ 5,129,622	\$ 5,264,213	

SHAWNIGAN IMPROVEMENT DISTRICT
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

4. LONG TERM DEBT

	2020	2019
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).	\$ 97,313	\$ 127,288
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 secured by Bylaw 117 (Fire Station 1 Expansion).	193,151	213,307
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 secured by Bylaw 124 (Tanker Truck).	95,906	113,392
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 secured by Bylaw 136 (Fire Station 3 Development).	1,650,844	1,732,136
Ministry of Provincial Revenue loan bearing interest at 3.2% compounded monthly, repayable in annual blended payments of \$37,814. The loan matures on July 2, 2034 and is secured by Bylaw 145 (Tender 3).	421,379	450,000
	\$ 2,458,593	\$ 2,636,123

Principal repayment terms are approximately:

2021	\$ 178,022
2022	183,742
2023	189,651
2024	160,688
2025	165,591
Thereafter	<u>1,580,899</u>
	<u>\$ 2,458,593</u>

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, 2020

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.

		<u>2020</u>
<u>Reconciliation</u>		
Net surplus per statement of operations	\$ 442,930	
Capital purchases	(115,400)	
Transfer to renewal reserve	(150,000)	
Principal payments	<u>(177,530)</u>	
Net surplus per approved Budget	\$ -	

SHAWNIGAN IMPROVEMENT DISTRICT

Operations

(Schedule 1)

Year Ended December 31, 2020

	2020	2019
REVENUES		
Property taxes	\$ 1,044,496	\$ 943,682
Fire tolls	24,391	24,556
Investment income	2,867	5,697
Other income	2,960	-
Sale of tangible capital asset	<u>61,124</u>	<u>-</u>
	1,135,838	973,935
EXPENSES		
Advertising and promotion	2,082	281
Insurance	39,575	35,402
Firemen's insurance	5,262	5,269
Interest and bank charges	1,168	774
Interest on long term debt	73,965	74,213
Professional fees	5,500	11,131
Repairs and maintenance	64,104	62,901
Street lighting	5,642	7,805
Employee benefits	7,117	8,136
Admin assistant wages	5,793	6,780
Admin gratuity	17,461	14,821
Deputy chief's gratuity	3,700	3,500
Honoraria	14,000	14,000
Fire chief's gratuity	50,000	45,000
Memberships and conventions	2,133	2,478
Utilities	32,333	33,725
Firemen's gratuity	132,131	149,748
WCB	4,655	4,480
Radio license	789	772
Vehicle/fireboat, fuel, insurance and maintenance	37,996	52,701
Firemen's training	<u>18,425</u>	<u>24,739</u>
	523,831	558,656
ANNUAL SURPLUS	612,007	415,279
ACUMULATED SURPLUS BEGINNING OF YEAR	130,031	149,815
TRANSFERS		
Transfers between departments	(150,000)	(150,000)
Transfer to purchase tangible capital assets	(199,055)	(590,783)
Transfer new loans	-	450,000
Transfer repayment of long term debt	<u>(177,531)</u>	<u>(144,280)</u>
	(526,586)	(435,063)
ACCUMULATED SURPLUS END OF YEAR	\$ 215,452	\$ 130,031

SHAWNIGAN IMPROVEMENT DISTRICT
Renewal Reserve Fund
Year Ended December 31, 2020

(Schedule 2)

	2020	2019
REVENUES		
Investment income	\$ 2,280	\$ 4,569
EXPENSES	-	-
ANNUAL SURPLUS	2,280	4,569
ACCUMULATED SURPLUS BEGINNING OF YEAR	381,465	226,896
TRANSFERS		
Transfers between departments	150,000	150,000
ACCUMULATED SURPLUS END OF YEAR	\$ 533,745	\$ 381,465

SHAWNIGAN IMPROVEMENT DISTRICT
Equity in Tangible Capital Assets
Year Ended December 31, 2020

(Schedule 3)

	2020	2019
REVENUES	\$ -	\$ -
EXPENSES		
Amortization	<u>333,647</u>	328,934
ANNUAL SURPLUS (DEFICIT)	<u>(333,647)</u>	(328,934)
ACCUMULATED SURPLUS BEGINNING OF YEAR	<u>2,628,090</u>	2,671,961
TRANSFERS		
Transfer to purchase tangible capital assets	199,055	590,783
Transfer new loans	-	(450,000)
Transfer repayment of long term debt	<u>177,531</u>	144,280
	<u>376,586</u>	285,063
ACCUMULATED SURPLUS END OF YEAR	<u>\$ 2,671,029</u>	\$ 2,628,090