

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Financial Statements
Year Ended December 31, 2021

SHAWNIGAN IMPROVEMENT DISTRICT
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Year Ended December 31, 2021

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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 (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 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 and 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 (PSAS).

Ms. Karen Berezcki, Administrator

Shawnigan Lake, BC
April 04, 2022

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, 2021, 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, 2021, 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.

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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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.

A handwritten signature in blue ink that reads "Morrine & Schindler". The signature is written in a cursive, flowing style.

Nanaimo, British Columbia
April 4, 2022

CHARTERED PROFESSIONAL ACCOUNTANTS

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Statement of Financial Position
December 31, 2021

	2021	2020
ASSETS		
Cash	\$ 1,388,012	\$ 1,212,244
Marketable securities	1,719	1,716
Accounts receivable	44,352	24,472
Goods and services tax recoverable	12,490	16,767
	1,446,573	1,255,199
LIABILITIES		
Accounts payable	35,178	109,501
Deferred income	441,500	396,500
Long term debt (Note 4)	2,280,571	2,458,593
	2,757,249	2,964,594
NET FINANCIAL DEBT	(1,310,676)	(1,709,395)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	4,865,409	5,129,622
ACCUMULATED SURPLUS	\$ 3,554,733	\$ 3,420,227
ON BEHALF OF THE BOARD		
	<i>Trustee</i>	
	<i>Trustee</i>	

See notes to financial statements

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Statement of Operations
Year Ended December 31, 2021

	Budget 2021	Total 2021	Total 2020
REVENUES			
Property taxes	\$ 1,044,496	\$ 1,044,496	\$ 1,044,496
Fire tolls	24,839	25,694	24,391
Investment income	3,500	2,083	5,147
Other income	1,000	9,854	2,960
Sale of tangible capital asset	-	-	61,124
	<u>1,073,835</u>	<u>1,082,127</u>	<u>1,138,118</u>
EXPENSES			
Advertising and promotion	1,000	401	2,082
Amortization	-	322,997	333,647
Admin gratuity	18,000	18,000	17,461
Admin assistant wages	18,953	7,403	5,793
Radio license	800	803	789
Deputy chief's gratuity	-	4,000	3,700
Fire chief's gratuity	65,000	65,000	50,000
Insurance	48,533	53,448	39,575
Interest and bank charges	881	691	1,167
Interest on long term debt	73,474	73,474	73,965
Firemen's insurance	-	5,297	5,262
Honoraria	14,000	14,000	14,000
Memberships and conventions	3,583	954	2,133
Firemen's training	47,000	30,954	18,425
Office	1,000	930	-
Firemen's gratuity	179,663	157,262	132,131
WCB	6,140	6,756	4,655
Professional fees	10,500	14,950	5,500
Repairs and maintenance	78,709	78,324	64,104
Employee benefits	-	9,178	7,117
Street lighting	7,198	7,355	5,642
Utilities	34,770	32,659	32,333
Vehicle/fireboat, fuel, insurance and maintenance	42,609	42,785	37,996
	<u>651,813</u>	<u>947,621</u>	<u>857,477</u>
ANNUAL SURPLUS	<u>\$ 422,022</u>	<u>\$ 134,506</u>	<u>\$ 280,641</u>

See notes to financial statements

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2021

	2021	2020
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 3,420,227	\$ 3,139,586
ANNUAL SURPLUS	<u>134,506</u>	280,641
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 3,554,733</u>	<u>\$ 3,420,227</u>

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Statement of Changes in Net Financial Debt
Year Ended December 31, 2021

	Budget 2021	2021	2020
ANNUAL SURPLUS	\$ 422,022	\$ 134,506	\$ 280,641
Amortization of tangible capital assets	-	322,996	333,646
Purchase of tangible capital assets	-	(58,783)	(199,055)
	-	264,213	134,591
INCREASE IN NET FINANCIAL ASSETS	422,022	398,719	415,232
NET FINANCIAL DEBT - BEGINNING OF YEAR	(1,709,395)	(1,709,395)	(2,124,627)
NET FINANCIAL DEBT - END OF YEAR	\$ (1,287,373)	\$ (1,310,676)	\$ (1,709,395)

See notes to financial statements

SHAWNIGAN IMPROVEMENT DISTRICT
Consolidated Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Annual surplus	\$ 134,506	\$ 280,641
Item not affecting cash:		
Amortization of tangible capital assets	<u>322,997</u>	333,647
	<u>457,503</u>	614,288
Changes in non-cash working capital:		
Accounts receivable	(19,880)	(20,634)
Marketable securities	(3)	(14)
Accounts payable	(74,324)	(216,043)
Deferred income	45,000	-
Goods and services tax payable	<u>4,277</u>	19,775
	<u>(44,930)</u>	(216,916)
Cash flow from operating activities	<u>412,573</u>	397,372
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(58,783)</u>	(199,055)
Cash flow used by investing activity	<u>(58,783)</u>	(199,055)
FINANCING ACTIVITY		
Repayment of long term debt	<u>(178,022)</u>	(177,531)
Cash flow used by financing activity	<u>(178,022)</u>	(177,531)
INCREASE IN CASH FLOW	175,768	20,786
Cash - beginning of year	<u>1,212,244</u>	1,191,458
CASH - END OF YEAR	\$ 1,388,012	\$ 1,212,244

See notes to financial statements

SHAWNIGAN IMPROVEMENT DISTRICT
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

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, 2021. 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, 2021 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, 2021

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>	2020 Balance	Additions	Disposals	2021 Balance
Buildings	\$ 3,187,278	\$ 18,406	\$ -	\$ 3,205,684
Equipment	5,695,027	40,377	-	5,735,404
	\$ 8,882,305	\$ 58,783	\$ -	\$ 8,941,088
			Accumulated Amortization on Disposals	2021 Balance
<u>Accumulated Amortization</u>	2020 Balance	Amortization		
Buildings	\$ 1,129,974	\$ 80,142	\$ -	\$ 1,210,116
Equipment	2,622,709	242,854	-	2,865,563
	\$ 3,752,683	\$ 322,996	\$ -	\$ 4,075,679
<u>Net book value</u>			2021	2020
Buildings			\$ 1,995,568	\$ 2,057,304
Equipment			2,869,841	3,072,318
			\$ 4,865,409	\$ 5,129,622

SHAWNIGAN IMPROVEMENT DISTRICT
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

4. LONG TERM DEBT

	2021	2020
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).	\$ 66,139	\$ 97,313
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).	172,189	193,151
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).	77,878	95,906
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).	1,567,316	1,650,844
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).	397,049	421,379
	\$ 2,280,571	\$ 2,458,593

Principal repayment terms are approximately:

2022	\$ 183,742
2023	189,651
2024	160,688
2025	165,591
2026	149,645
Thereafter	1,431,254
	\$ 2,280,571

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, 2021

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>2021</u>
<u>Reconciliation</u>	
Net surplus per statement of operations	\$ 422,022
Capital purchases	(44,000)
Transfer to renewal reserve	(200,000)
Principal payments	<u>(178,022)</u>
Net surplus per approved Budget	<u>\$ -</u>

SHAWNIGAN IMPROVEMENT DISTRICT

Operations

(Schedule 1)

Year Ended December 31, 2021

	2021	2020
REVENUES		
Property taxes	\$ 1,044,496	\$ 1,044,496
Fire tolls	25,694	24,391
Investment income	994	2,867
Other income	9,854	2,960
Sale of tangible capital asset	-	61,124
	<u>1,081,038</u>	<u>1,135,838</u>
EXPENSES		
Advertising and promotion	401	2,081
Insurance	53,448	39,575
Firemen's insurance	5,297	5,262
Interest and bank charges	690	1,168
Interest on long term debt	73,474	73,965
Professional fees	14,950	5,500
Repairs and maintenance	78,324	64,104
Street lighting	7,355	5,642
Employee benefits	9,178	7,117
Admin assistant wages	7,403	5,793
Admin gratuity	18,000	17,461
Deputy chief's gratuity	4,000	3,700
Honoraria	14,000	14,000
Fire chief's gratuity	65,000	50,000
Memberships and conventions	954	2,133
Utilities	32,659	32,333
Firemen's gratuity	157,262	132,131
WCB	6,756	4,655
Radio license	803	789
Vehicle/fireboat, fuel, insurance and maintenance	42,785	37,996
Firemen's training	30,954	18,425
Office	930	-
	<u>624,623</u>	<u>523,830</u>
ANNUAL SURPLUS	<u>456,415</u>	<u>612,008</u>
ACUMULATED SURPLUS BEGINNING OF YEAR	<u>215,453</u>	<u>130,031</u>
TRANSFERS		
Transfers between departments	(200,000)	(150,000)
Transfer to purchase tangible capital assets	(58,783)	(199,055)
Transfer repayment of long term debt	(178,022)	(177,531)
	<u>(436,805)</u>	<u>(526,586)</u>
ACCUMULATED SURPLUS END OF YEAR	<u>\$ 235,063</u>	<u>\$ 215,453</u>

See notes to financial statements

SHAWNIGAN IMPROVEMENT DISTRICT

Renewal Reserve Fund

(Schedule 2)

Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
REVENUES		
Investment income	\$ 1,088	\$ 2,280
EXPENSES	<u>-</u>	<u>-</u>
ANNUAL SURPLUS	<u>1,088</u>	<u>2,280</u>
ACCUMULATED SURPLUS BEGINNING OF YEAR	<u>533,745</u>	<u>381,465</u>
TRANSFERS		
Transfers between departments	<u>200,000</u>	<u>150,000</u>
ACCUMULATED SURPLUS END OF YEAR	<u>\$ 734,833</u>	<u>\$ 533,745</u>

SHAWNIGAN IMPROVEMENT DISTRICT

Equity in Tangible Capital Assets

(Schedule 3)

Year Ended December 31, 2021

	2021	2020
REVENUES	\$ -	\$ -
EXPENSES		
Amortization	<u>322,997</u>	<u>333,647</u>
ANNUAL SURPLUS (DEFICIT)	<u>(322,997)</u>	<u>(333,647)</u>
ACCUMULATED SURPLUS BEGINNING OF YEAR	<u>2,671,029</u>	<u>2,628,090</u>
TRANSFERS		
Transfer to purchase tangible capital assets	58,783	199,055
Transfer repayment of long term debt	<u>178,022</u>	<u>177,531</u>
	<u>236,805</u>	<u>376,586</u>
ACCUMULATED SURPLUS END OF YEAR	<u>\$ 2,584,837</u>	<u>\$ 2,671,029</u>