

INTERLAKE WEED CONTROL DISTRICT
Financial Statements
Year Ended December 31, 2020

INTERLAKE WEED CONTROL DISTRICT

Index to Financial Statements

Year Ended December 31, 2020

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10

INDEPENDENT AUDITORS' REPORT

To the Members of Interlake Weed Control District

Opinion

We have audited the financial statements of Interlake Weed Control District (the District), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 *Auditors' 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Without qualifying our conclusion, we draw attention to Note 10 in the financial statements, which indicates that the District may be affected by the potential effect to the economy as a result of the coronavirus (COVID-19). As stated in Note 10, these events or conditions, along with other matters as set forth in Note 10, indicate that a potential uncertainty exists that may cast significant doubt on the District's ability to continue as a going concern.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters relating 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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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the 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.

Exchange

Chartered Professional Accountants LLP
Winnipeg, Manitoba
June 10, 2021

INTERLAKE WEED CONTROL DISTRICT

Statement of Financial Position

December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash (Note 4)	\$ 36,820	\$ -
Accounts receivable (Note 6)	192,610	219,767
Inventory (Note 2)	16,880	24,543
Goods and services tax receivable	3,407	4,881
	<u>249,717</u>	<u>249,191</u>
CAPITAL ASSETS (Notes 2, 5)	53,428	51,030
	<u>\$ 303,145</u>	<u>\$ 300,221</u>
LIABILITIES		
CURRENT		
Bank indebtedness (Note 4)	\$ -	\$ 6,553
Accounts payable and accrued liabilities	4,889	5,286
	<u>4,889</u>	<u>11,839</u>
NET ASSETS	<u>298,256</u>	<u>288,382</u>
	<u>\$ 303,145</u>	<u>\$ 300,221</u>

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

INTERLAKE WEED CONTROL DISTRICT
Statement of Operations and Changes in Net Assets
Year Ended December 31, 2020

	2020	2019
REVENUES		
Spraying <i>(Note 6)</i>	\$ 298,073	\$ 333,913
Levies		
Rural Municipality of Gimli <i>(Note 6)</i>	14,200	14,200
Municipality of Bifrost-Riverton <i>(Note 6)</i>	9,200	9,200
Rural Municipality of Fisher <i>(Note 6)</i>	6,750	6,750
Rural Municipality of Armstrong <i>(Note 6)</i>	5,350	5,350
Town of Arborg <i>(Note 6)</i>	1,600	1,600
Truck registration and insurance refunds	1,373	990
Miscellaneous	465	278
	<u>337,011</u>	<u>372,281</u>
EXPENSES		
Amortization	7,051	8,472
Chemicals	91,294	99,777
Equipment	-	3,284
Indemnities and mileage	196	1,102
Interest and bank charges	178	191
Office and telephone	3,866	4,227
Professional fees	2,584	3,822
Secretary-treasurer	3,000	3,000
Spraying expenses	38,541	45,515
Spraying wages and benefits	88,625	106,813
Supervisor expenses	2,522	4,068
Supervisor wages and benefits	89,280	86,922
	<u>327,137</u>	<u>367,193</u>
NET EXCESS OF REVENUES OVER EXPENSES	9,874	5,088
NET ASSETS - BEGINNING OF YEAR	288,382	283,294
NET ASSETS - END OF YEAR	\$ 298,256	\$ 288,382

See notes to financial statements

INTERLAKE WEED CONTROL DISTRICT

Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Cash receipts from customers and levies	\$ 365,644	\$ 351,693
Cash paid to suppliers and employees	(312,644)	(368,534)
Interest paid	(177)	(190)
Cash flow from operating activities	<u>52,823</u>	<u>(17,031)</u>
INVESTING ACTIVITY		
Purchase of capital assets	(9,450)	(9,621)
Cash flow used by investing activity	<u>(9,450)</u>	<u>(9,621)</u>
INCREASE (DECREASE) IN CASH	43,373	(26,652)
CASH (BANK INDEBTEDNESS) - BEGINNING OF YEAR	(6,553)	20,099
CASH (BANK INDEBTEDNESS) - END OF YEAR	\$ 36,820	\$ (6,553)
CASH CONSISTS OF:		
Cash	\$ 36,820	\$ -
Bank indebtedness	-	(6,553)
	<u>\$ 36,820</u>	<u>\$ (6,553)</u>

INTERLAKE WEED CONTROL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

1. NATURE OF THE ORGANIZATION

The Interlake Weed Control District (The "District") is an unincorporated non-profit organization whose purpose is to take joint action in controlling, destroying, and eradicating noxious weeds within the municipalities that are part of the District. As a non-profit organization, the District is exempt from income taxes on its earnings under section 149(1) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

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.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis. Inventory consists of chemicals used in spraying operations.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Motor vehicles - pickup trucks	10 years	straight-line method
Motor vehicles - spray trucks	20 years	straight-line method
Equipment	10 years	straight-line method
Storage shed	40 years	straight-line method

The District regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

The District follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Truck registrations and insurance refunds, spraying, levies and other revenues are recognized as revenue when earned if the amount can be reasonably estimated and collection is reasonably assured.

INTERLAKE WEED CONTROL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

3. FINANCIAL INSTRUMENTS

The District is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the District's risk exposure and concentration as of December 31, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The District is exposed to credit risk from customers. The District has a significant number of customers which minimizes concentration of credit risk.

4. LINE OF CREDIT

The District has a \$20,000 revolving line of credit of which \$NIL (2019 - \$1,458) was used as at December 31, 2020. Bank advances on the credit line are payable on demand and bear interest at 3.95%.

5. CAPITAL ASSETS

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Motor vehicles - pickup trucks	\$ 58,386	\$ 58,386	\$ 58,386	\$ 58,386
Motor vehicles - spray trucks	120,203	97,289	120,203	93,190
Equipment	47,220	21,021	37,771	18,198
Storage shed	5,152	837	5,152	708
	\$ 230,961	\$ 177,533	\$ 221,512	\$ 170,482
Net book value	\$ 53,428		\$ 51,030	

INTERLAKE WEED CONTROL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

6. RELATED PARTY TRANSACTIONS

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

	<u>2020</u>	<u>2019</u>
Town of Arborg <i>(Related by virtue of Government Partnership)</i>		
Levy revenue	\$ 1,600	\$ 1,600
Spraying revenue	1,508	1,355
Rural Municipality of Gimli <i>(Related by virtue of Government Partnership)</i>		
Levy revenue	14,200	14,200
Spraying revenue	47,875	47,008
Rural Municipality of Fisher <i>(Related by virtue of Government Partnership)</i>		
Levy revenue	6,750	6,750
Spraying revenue	31,121	35,037
Rural Municipality of Armstrong <i>(Related by virtue of Government Partnership)</i>		
Levy revenue	5,350	5,350
Spraying revenue	86,505	82,433
Municipality of Bifrost-Riverton <i>(Related by virtue of Government Partnership)</i>		
Levy revenue	9,200	9,200
Spraying revenue	54,764	51,652

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 the related parties.

Included in accounts receivable are the following owed by related parties due to the transactions above:

	<u>2020</u>	<u>2019</u>
Town of Arborg	\$ -	\$ 1,355
Rural Municipality of Gimli	15,851	15,997
Rural Municipality of Fisher	17,865	22,948
Rural Municipality of Armstrong	44,929	43,000
Rural Municipality of Bifrost-Riverton	21,493	21,448

INTERLAKE WEED CONTROL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

7. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Act that annual public disclosure be made of aggregate compensation paid to members of council, and of individual compensation in an amount exceeding \$75,000 annually to any member of council, officer or employee of the District.

For the year ended December 31, 2020, one employee received compensation in excess of \$75,000.

Fred Paulson	Weed Supervisor	\$ <u>75,539</u>
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8. RETIREMENT BENEFITS

The majority of the employees of the District are members of the Municipal Employees' Pension Plan (MEPP), which is a multi-employer defined benefit pension plan. MEPP members will receive benefits based on 1.5% of their final average yearly Canada Pension Plan (CPP) earnings times years of service, plus 2% of their final average yearly non-CPP earnings times years of service. The costs of the retirement plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Chartered Professional Accountants of Canada Handbook section PS3250.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by MEPP by placing plan assets in trust and through MEPP investment policy. The pension expense is based on the contribution rate. The MEPP required that employees contribute 8.3% of basic annual earnings up to the CPP ceiling plus 9.5% of basic annual earnings in excess of the CPP ceiling, plus an additional 0.1% of earnings below and in excess of the CPP ceiling from employees that are not members of the District Disability Income Plan. The employers are required to match the employee contributions to the MEPP. Actual contributions to MEPP made during the year by the District on behalf of its employees amounted to \$11,065 (2019-\$10,826) and are included in the statement of operations.

Subject to the following paragraph, any unfunded liabilities are to be funded by the participating employers. The most recent actuarial valuation as of December 31, 2019 indicated the plan was 99.7% funded on a going concern basis and had an unfunded solvency liability of \$288.8 million. The solvency position of the plan is determined by comparing the plan assets to the actuarial present value of the benefits accrued in respect of credited service up to the valuation date, calculated as if the plan were wound up on December 31, 2019.

In 2010, the Government of Manitoba enacted a regulation which permits sponsors of public sector pension plans, including MEPP, to elect permanent exemption from solvency funding requirements subject to certain conditions stated in the regulation. MEPP has elected permanent exemption from solvency funding requirements. As a result, solvency funding is no longer required by MEPP.

9. ECONOMIC DEPENDENCE

The District has a substantial amount of sales to its Municipal partners as described in Note 6. Should these customers substantially change its dealings with the District, management is of the opinion that continued viable operations would be doubtful.

INTERLAKE WEED CONTROL DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

10. COVID-19

Reactions and restrictions to Coronavirus (COVID-19) continue to evolve and change regularly. Management of the District continues to maintain operations where possible, while looking out for the needs and safety of their clients and employees.

Operations in the historical financial statements, as presented, do not give rise to potential going-concern issues. However, given the uncertainties on the economy, management cannot predict the effect that this will have on their future operations or cash flows.
