

**SAVARY SHORES IMPROVEMENT DISTRICT**

**Financial Statements**

**Year Ended December 31, 2017**

*(Unaudited - See Independent Practitioner's Review Engagement Report)*

DRAFT Apr 14

**SAVARY SHORES IMPROVEMENT DISTRICT**  
**Index to Financial Statements**  
**Year Ended December 31, 2017**  
*(Unaudited - See Independent Practitioner's Review Engagement Report)*

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**CHARTERED PROFESSIONAL ACCOUNTANTS**  
A partnership of incorporated professionals

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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The financial statements of Savary Shores Improvement District have been prepared in accordance with Canadian public sector accounting standards. For government not-for-profit organizations and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external reviewed financial statements yearly. The Board also discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external accountants, Del Mistro Dunn Chartered Professional Accountants, conduct an independent review, in accordance with Canadian Standards for Review Engagements [CSRE 2400], and express their conclusion on the financial statements. The external accountants have full and free access to financial management of Savary Shores Improvement District and meet when required. The accompanying Review Engagement Report outlines their responsibilities, the scope of their review and their conclusion on the financial statements.

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Mr. Dale Gregory, Chairperson of Trustees

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Mr. Bryan Miles, Trustee

Savary Island, British Columbia  
April 13, 2018

# DEL MISTRO DUNN

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## INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

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To the Trustees of Savary Shores Improvement District

We have reviewed the statement of financial position of Savary Shores Improvement District as at December 31, 2017 and the statements of operations, changes in net financial assets, changes in accumulated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### 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.

### Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of Savary Shores Improvement District as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian public sector accounting standards.

### Other Matter

The financial statements of Savary Shores Improvement District for the year ended December 31, 2016 were reviewed by another practitioner who expressed a unqualified conclusion on those financial statements on March 20, 2017.

Powell River, British Columbia  
April 13, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Financial Position

December 31, 2017

(Unaudited - See Independent Practitioner's Review Engagement Report)

	2017	2016 (Restated)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 84,097	\$ 166,322
Accounts receivable	784	1,672
Goods and services tax recoverable	1,805	445
Long term Investments (Note 4)	63,440	-
	<u>150,126</u>	<u>168,439</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>5,872</u>	<u>8,714</u>
<b>NET FINANCIAL ASSETS</b>	<u>144,254</u>	<u>159,725</u>
<b>NON-FINANCIAL ASSETS</b>		
Inventory	10,323	9,534
Prepaid expenses	7,203	4,351
Tangible capital assets (Note 5)	<u>235,612</u>	<u>235,612</u>
	<u>253,138</u>	<u>249,497</u>
<b>ACCUMULATED SURPLUS (Note 6)</b>	<u>\$ 397,393</u>	<u>\$ 409,222</u>
<b>ON BEHALF OF THE BOARD</b>		
_____	Trustee	
_____	Trustee	

The accompanying notes form an integral part of these financial statements.

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Operations

Year Ended December 31, 2017

(Unaudited - See Independent Practitioner's Review Engagement Report)

	2017 Budget	2017	2016
<b>REVENUES</b>			
Class A tax assessments	\$ 65,200	\$ 65,200	\$ 58,520
Class B tax assessments	12,720	12,720	10,600
Additional levies and charges	1,500	800	1,672
Hookup charges	-	835	835
Other income	1,150	1,122	1,161
	<u>80,570</u>	<u>80,677</u>	<u>72,788</u>
<b>EXPENSES</b>			
Program Expenses (Schedule 1)	45,220	41,202	22,527
Administration Expenses (Schedule 2)	35,350	51,304	33,619
	<u>80,570</u>	<u>92,506</u>	<u>56,146</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>\$ -</u>	<u>\$ (11,829)</u>	<u>\$ 16,642</u>

The accompanying notes form an integral part of these financial statements.

**SAVARY SHORES IMPROVEMENT DISTRICT**

**Statement of Changes in Accumulated Surplus**

**Year Ended December 31, 2017**

*(Unaudited - See Independent Practitioner's Review Engagement Report)*

	2017	2016 (Restated)
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>		
As previously reported	410,917	389,113
Prior period adjustments	<u>(1,695)</u>	<u>3,467</u>
As restated	409,222	392,580
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<u><b>(11,829)</b></u>	<u>16,642</u>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<u><b>\$ 397,393</b></u>	<u>\$ 409,222</u>

The District determined that \$5,162 of expenses related to 2016 were recorded in 2017, a 2017 expense of \$2,495 was recorded in 2016, a 2016 expense of \$2,495 was recorded in 2015, and land (lot 196) was purchased in February 1989 for \$972 and was expensed, all in error. 2016 expense accounts were understated on the Statement of Operations and their related Schedules as follows: Subcontract (Admin) \$3,288, Maintenance \$1,329, Subcontract (Program) \$305, Dues and water fees \$200, Trustee \$21, Office \$19. 2016 opening accumulated surplus was understated by \$2,495. On the Statement of Financial Position, the 2016 GST recoverable was understated by \$52, tangible capital assets were understated by \$972 and Accounts Payable and Accrued Liabilities were understated by 2,719.

The 2016 figures, shown for comparative purposes, have been restated to show the effect of recording the above entries in the correct period.

**SAVARY SHORES IMPROVEMENT DISTRICT**

**Statement of Changes in Net Financial Assets**

**Year Ended December 31, 2017**

*(Unaudited - See Independent Practitioner's Review Engagement Report)*

	2017	2016
		(Restated)
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (11,829)</b>	<b>\$ 16,642</b>
Purchase of tangible capital assets	-	(8,347)
Acquisition of inventory	<b>(1,556)</b>	(1,437)
Consumption of inventory	<b>766</b>	1,000
Acquisition of prepaid expense	<b>(9,042)</b>	(4,351)
Use of prepaid expense	<b>6,191</b>	4,269
	<b>(3,641)</b>	(8,866)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<b>(15,470)</b>	7,776
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	<b>159,725</b>	151,949
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	<b>\$ 144,255</b>	<b>\$ 159,725</b>

The accompanying notes form an integral part of these financial statements.



SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Cash Flows

Year Ended December 31, 2017

(Unaudited - See Independent Practitioner's Review Engagement Report)

	2017	2016 (Restated)
<b>OPERATING ACTIVITIES</b>		
Surplus (deficit)	\$ (11,829)	\$ 16,642
Changes in non-cash working capital:		
Accounts receivable	888	1,945
Inventory	(789)	(437)
Accounts payable and accrued liabilities	(2,842)	4,214
Prepaid expenses	(2,852)	2,413
Goods and services tax payable	(1,360)	1,030
	(6,955)	9,165
Cash flow from operating activities	(18,784)	25,807
<b>INVESTING ACTIVITY</b>		
Purchase of tangible capital assets	-	(8,347)
Cash flow from (used by) investing activity	-	(8,347)
<b>INCREASE (DECREASE) IN CASH FLOW</b>	(18,784)	17,460
Cash - beginning of year	166,322	148,862
<b>CASH - END OF YEAR</b>	<u>147,538</u>	<u>166,322</u>
<b>CASH CONSISTS OF:</b>		
Cash and cash equivalents	\$ 84,097	\$ 166,322
Long term Investments	63,440	-
	<u>\$ 147,537</u>	<u>\$ 166,322</u>

The accompanying notes form an integral part of these financial statements.

# SAVARY SHORES IMPROVEMENT DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2017

(Unaudited - See Review Engagement Report)

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### 1. PURPOSE OF THE ORGANIZATION

The Savary Shores Improvement District (the 'District') is incorporated under the Local Government Act of British Columbia to administer and maintain the water distribution system for Savary Island District. No provision has been made in these financial statements for income taxes as the District is exempt from tax under the Income Tax Act.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

#### 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.

#### Prepaid expenses

Prepaid expenses include insurance and a software subscription and are charged to expense over the periods expected to benefit from it.

#### Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Tangible Capital Assets are not being amortized

Tangible capital assets are written down when conditions indicate that they no longer contribute to the District's ability to provide service, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

#### Funds and reserves

Certain amounts, as approved by the Board of Directors, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

#### Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis

The district recognizes revenues as follows:

- tax assessments and levies are recognized annually, at the beginning of the year to which they relate.
- interest income is recorded using the effective interest rate method.

(continues)

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

(Unaudited - See Review Engagement Report)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Financial instruments

All financial assets and financial liabilities are measured at cost or amortized cost. All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Changes are recorded prospectively in the year the new information is known. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

Examples of significant estimates include:

- the allowance for inventory obsolescence;
- the recoverability of tangible assets;

3. CASH AND CASH EQUIVALENT

	<u>2017</u>	<u>2016</u>
Cash restricted for capital reserve fund	\$ 96,029	\$ 158,787
Unrestricted cash	(11,932)	7,535
	<u>\$ 84,097</u>	<u>\$ 166,322</u>

4. LONG TERM INVESTMENTS

	Purchase date	Maturity date	Interest rate %	<u>2017</u>	<u>2016</u>
Term deposit	January 23, 2017	January 23, 2022	0.85	\$ 55,440	\$ -
Term deposit	June 6, 2017	June 6, 2022	0.85	8,000	-
				<u>\$ 63,440</u>	<u>\$ -</u>

The term deposits are held for the capital reserve fund.

**SAVARY SHORES IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**Year Ended December 31, 2017**

*(Unaudited - See Review Engagement Report)*

5. TANGIBLE CAPITAL ASSETS

	Land	Buildings	Equipment	Water distribution Fixtures	Water distribution Pipework	Motor Vehicle	Total
<b>Cost</b>							
Balance Jan 1, 2017	\$ 12,439	\$ 90,555	\$ 122,857	\$ 336	\$ 3,683	\$ 5,742	\$ <b>235,612</b>
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance Dec 31, 2017	\$ 12,439	\$ 90,555	\$ 122,857	\$ 336	\$ 3,683	\$ 5,742	\$ <b>235,612</b>

	Land	Buildings	Equipment	Water distribution Fixtures	Water distribution Pipework	Motor Vehicle	Total
<b>Cost</b>							
Balance Jan 1, 2016	\$ 12,439	\$ 90,555	\$ 120,251	\$ 336	\$ 3,683	\$ -	\$ <b>227,264</b>
Additions	-	-	2,606	-	-	5,742	<b>8,348</b>
Disposals	-	-	-	-	-	-	-
Balance Dec 31, 2016	\$ 12,439	\$ 90,555	\$ 122,857	\$ 336	\$ 3,683	\$ 5,742	\$ <b>235,612</b>

6. ACCUMULATED SURPLUS

	2016 Balance (restated)	Surplus (deficit)	Transfers	2017 Balance
Capital reserve fund	\$ 158,787	\$ 682	\$ (10,000)	\$ 149,469
Operating fund	250,435	(12,511)	10,000	247,924
	\$ 409,222	\$ (11,829)	\$ -	\$ 397,393

7. CAPITAL RESERVE FUND

	2017	2016
Balance at beginning of year	\$ 158,787	\$ 138,546
Interest income	682	241
	<b>159,469</b>	138,787
Contribution to (from) Capital Reserve	<b>(10,000)</b>	20,000
Balance at end of year	\$ <b>149,469</b>	\$ 158,787

8. FINANCIAL INSTRUMENTS

The district is exposed to various risks through its financial instruments. The following analysis provides information about the district's risk exposure and concentration as of December 31, 2017.

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SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

(Unaudited - See Review Engagement Report)

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8. FINANCIAL INSTRUMENTS *(continued)*

*(a) 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 organization levies tax charges during each year of service with payment subsequent to the levy in the normal course of operations. If an owner fails to pay the taxes over two consecutive years, the organization can force the sale of the property. The organization has a significant number of customers which minimizes concentration of credit risk.

*(b) 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 fixed rate term deposits.

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**SAVARY SHORES IMPROVEMENT DISTRICT**

**Program Expenses**

*(Schedule 1)*

**Year Ended December 31, 2017**

*(Unaudited - See Review Engagement Report)*

The following is a summary of program expenses by object:

	2017 Budget	2017	2016 (Restated)
Dues and water fees	\$ 3,308	\$ 1,789	\$ 2,365
Subcontract	11,600	12,440	7,727
Fuel	3,000	2,242	3,830
Full spectrum & nitrates tests	250	1,366	210
System review and feasibility study	17,500	12,495	2,495
Maintenance	9,562	10,870	5,900
	<u>\$ 45,220</u>	<u>\$ 41,202</u>	<u>\$ 22,527</u>

**Administration Expenses**

*(Schedule 2)*

**Year Ended December 31, 2017**

*(Unaudited - See Independent Practitioner's Review Engagement Report)*

The following is a summary of administration expenses by object

	2017 Budget	2017	2016 (Restated)
Telephone	\$ 150	\$ 664	\$ -
Office	1,600	2,167	2,274
Professional fees	4,300	5,471	4,000
Travel	-	1,017	463
Insurance	6,000	6,141	5,833
Bank charges	200	205	202
Subcontract	22,300	34,719	20,480
Trustee expense	800	920	367
	<u>\$ 35,350</u>	<u>\$ 51,304</u>	<u>\$ 33,619</u>