

SAVARY SHORES IMPROVEMENT DISTRICT

Financial Statements

Year Ended December 31, 2019

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

SAVARY SHORES IMPROVEMENT DISTRICT

Index to Financial Statements

Year Ended December 31, 2019

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

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dmd

Chartered Professional Accountants

D. Dunn, CPA CGA CA
S. Beck, CPA CGA
A partnership of incorporated professionals
www.dmdcpa.ca

Unit 3 4313 Alberta Avenue
Powell River, British Columbia V8A 5G7
Phone 604-485-2726
Fax 604-485-7910

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Savary Shores 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.

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 quarterly 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, dmd 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.



Mr. Dale Gregory, Chairperson of Trustees



Mr. Bryan Miles, Trustee

Savary Island, British Columbia
April 21, 2020



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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Trustees of Savary Shores Improvement District

We have reviewed the accompanying financial statements of Savary Shores Improvement District (the District) that comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in accumulated surplus, changes in net financial assets 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 (PSAS), 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 the financial statements do not present fairly, in all material respects, the financial position of Savary Shores Improvement District as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with PSAS.

Powell River, British Columbia
April 21, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Financial Position

December 31, 2019

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

	2019	2018 (Restated)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 79,176	\$ 68,942
Accounts receivable	789	2,183
Goods and services tax recoverable	1,151	2,364
Long term investment held for capital reserve fund (Note 4)	75,485	63,979
	<u>156,601</u>	<u>137,468</u>
LIABILITIES		
Accounts payable and accrued liabilities	6,792	8,518
Deferred income	-	835
	<u>6,792</u>	<u>9,353</u>
NET FINANCIAL ASSETS	<u>149,809</u>	<u>128,115</u>
NON-FINANCIAL ASSETS		
Inventory	11,017	10,777
Prepaid expenses	7,893	7,693
Tangible capital assets (Note 5)	311,094	318,661
	<u>330,004</u>	<u>337,131</u>
ACCUMULATED SURPLUS (Note 6)	<u>\$ 479,813</u>	<u>\$ 465,246</u>

ON BEHALF OF THE BOARD

Debb Gregory Trustee

Rayan R. Miles Trustee

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Operations

Year Ended December 31, 2019

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

	Budget	2019	2018 (Restated)
REVENUES			
District tax	\$ 57,240	\$ 57,240	\$ 57,240
Connection tax	28,875	28,875	28,700
Asset Renewal Levy	10,800	10,800	-
Hookup charges	-	1,670	1,931
Interest income	-	1,386	1,325
Lost discounts	1,500	1,278	2,333
Additional levies and charges	400	789	447
	<hr/> 98,815	<hr/> 102,038	<hr/> 91,976
EXPENSES			
Program Expenses <i>(Schedule 1)</i>	37,650	47,045	46,924
Administration Expenses <i>(Schedule 2)</i>	48,620	40,426	43,665
	<hr/> 86,270	<hr/> 87,471	<hr/> 90,589
ANNUAL SURPLUS	<hr/> \$ 12,545	<hr/> \$ 14,567	<hr/> \$ 1,387

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, 2019

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

	2019	2018 (Restated)
ACCUMULATED SURPLUS - BEGINNING OF YEAR		
As previously reported	410,474	397,395
Prior period adjustments	<u>54,772</u>	<u>66,464</u>
As restated	465,246	463,859
ANNUAL SURPLUS	<u>14,567</u>	1,387
	<u>479,813</u>	465,246
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 479,813</u>	<u>\$ 465,246</u>

The District has reviewed and recorded a number of tangible capital assets previously unrecorded as assets and on hand and has adopted the policy of amortizing its tangible capital assets to comply with the Public Sector Accounting Standards. This change in policy is to be applied retroactively. As a result of such as change: 2018 expense accounts were understated on the Statement of Operations and their related Schedules as follows: 2019 opening accumulated surplus was understated by \$54,772. On the Statement of Financial Position, the 2018 tangible capital assets were understated by \$66,464 and accumulated surplus was understated by \$66,464.

The 2018 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, 2019

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

	2019	2018
		(Restated)
ANNUAL SURPLUS	\$ 14,567	\$ 1,387
Amortization of tangible capital assets	11,910	11,692
Purchase of tangible capital assets	(4,343)	(28,275)
Increase in prepaid expenses	(200)	(491)
Increase in inventory	(240)	(454)
	<u>7,127</u>	<u>(17,528)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	21,694	(16,141)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	128,115	144,256
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 149,809</u>	<u>\$ 128,115</u>

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

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Cash Flows

Year Ended December 31, 2019

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

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	\$ 14,567	\$ 1,387
Item not affecting cash:		
Amortization of property, plant and equipment	11,910	11,692
	<u>26,477</u>	<u>13,079</u>
Changes in non-cash working capital:		
Accounts receivable	1,394	(1,399)
Inventory	(240)	(454)
Accounts payable and accrued liabilities	(1,726)	2,646
Deferred income	(835)	835
Prepaid expenses	(200)	(489)
Goods and services tax payable	1,213	(559)
	<u>(394)</u>	<u>580</u>
Cash flow from operating activities	<u>26,083</u>	<u>13,659</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(4,343)</u>	<u>(28,275)</u>
Cash flow used by investing activity	<u>(4,343)</u>	<u>(28,275)</u>
INCREASE (DECREASE) IN CASH FLOW	21,740	(14,616)
Cash - beginning of year	<u>132,921</u>	<u>147,537</u>
CASH - END OF YEAR	<u>\$ 154,661</u>	<u>\$ 132,921</u>
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 79,176	\$ 68,942
Long term investment held for capital reserve fund	<u>75,485</u>	<u>63,979</u>
	<u>\$ 154,661</u>	<u>\$ 132,921</u>

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

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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

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 consists of pipes, meters, and fittings used to maintain the water system and is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis. Fuel held in tanks to power the generators is expensed in the year purchased.

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, or deemed cost less accumulated amortization, 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. Where historical cost records did not exist, the assets were recorded at current replacement cost, price adjusted back to the year it is believed the asset was purchased.

Tangible Capital Assets are being amortized at the following rates and methods:

Buildings	25 - 50 years	straight-line method
Meters	40 years	straight-line method
Vehicle	10 years	straight-line method
Water system-distribution and pipework	20 - 110 years	straight-line method
Water system-supply and storage	10 - 99 years	straight-line method

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 Trustees, 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.

(continues)

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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;
- the amortization of tangible assets over their useful life

3. CASH AND CASH EQUIVALENT

	2019	2018 <i>(Restated)</i>
Cash restricted for capital reserve fund	\$ 54,877	\$ 58,540
Unrestricted cash	24,299	10,402
	<u>\$ 79,176</u>	<u>\$ 68,942</u>

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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

4. LONG TERM INVESTMENTS HELD FOR CAPITAL RESERVE FUND

	Purchase date	Maturity date	Interest rate %	2019	2018
Term deposit #1	January 23, 2017	January 23, 2022	1.25	\$ 56,527	\$ 55,911
Term deposit #4	June 12, 2019	June 12, 2021	2.35	8,158	-
Term deposit #5	September 17, 2019	September 17, 2021	2.35	10,800	-
Term deposit #3				-	8,068
				\$ 75,485	\$ 63,979

5. TANGIBLE CAPITAL ASSETS

	Land	Water Distribution and Pipework	Water system supply & storage	Buildings	Meters	Vehicle	Total
Cost							
Balance Jan 1, 2019	\$ 30,972	\$ 129,716	\$ 213,413	\$ 78,288	\$ 39,020	\$ 5,742	\$ 497,151
Additions	-	-	2,130	1,536	677	-	4,343
Disposals	-	-	-	-	-	-	-
Balance Dec 31, 2019	\$ 30,972	\$ 129,716	\$ 215,543	\$ 79,824	\$ 39,697	\$ 5,742	\$ 501,494
Accumulated Amortization							
Balance Jan 1, 2019	\$ -	\$ 60,666	\$ 66,779	\$ 35,539	\$ 14,549	\$ 957	\$ 178,490
Amortization	-	1,651	6,394	2,307	984	574	11,910
Disposals	-	-	-	-	-	-	-
Balance Dec 31, 2019	\$ -	\$ 62,317	\$ 73,173	\$ 37,846	\$ 15,533	\$ 1,531	\$ 190,400
Net book value	\$ 30,972	\$ 67,399	\$ 142,370	\$ 41,978	\$ 24,164	\$ 4,211	\$ 311,094
Cost							
Balance Jan 1, 2018	\$ 30,972	\$ 126,113	\$ 213,413	\$ 53,616	\$ 39,020	\$ 5,742	\$ 468,876
Additions	-	3,603	-	24,672	-	-	28,275
Disposals	-	-	-	-	-	-	-
Balance Dec 31, 2018	\$ 30,972	\$ 129,716	\$ 213,413	\$ 78,288	\$ 39,020	\$ 5,742	\$ 497,151
Accumulated Amortization							
Balance Jan 1, 2018	\$ -	\$ 56,449	\$ 63,040	\$ 33,353	\$ 13,573	\$ 383	\$ 166,798
Amortization	-	4,217	3,739	2,186	976	574	11,692
Disposals	-	-	-	-	-	-	-
Balance Dec 31, 2018	\$ -	\$ 60,666	\$ 66,779	\$ 35,539	\$ 14,549	\$ 957	\$ 178,490
Net book value	\$ 30,972	\$ 69,050	\$ 146,634	\$ 42,749	\$ 24,471	\$ 4,785	\$ 318,661

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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

6. ACCUMULATED SURPLUS

	2018 Balance			2019 Balance
	(Restated)	Surplus (deficit)	Transfers	
Capital reserve fund (Note 7)	\$ 122,519	\$ -	\$ 7,843	\$ 130,362
Operating fund	342,727	14,567	(7,843)	349,451
	<u>\$ 465,246</u>	<u>\$ 14,567</u>	<u>\$ -</u>	<u>\$ 479,813</u>

7. CAPITAL RESERVE FUND

	2019	2018 <i>(Restated)</i>
Balance at beginning of year	\$ 122,519	\$ 149,469
Interest income	1,386	1,325
	<u>123,905</u>	<u>150,794</u>
Contribution to (from) Capital Reserve	10,800	-
Meters, generator remote hookup and shed wiring	(4,343)	-
Building of generator enclosure	-	(24,672)
Generator & Tidy Tank	-	(3,603)
	<u>\$ 130,362</u>	<u>\$ 122,519</u>

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, 2019.

(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.

SAVARY SHORES IMPROVEMENT DISTRICT

Program Expenses

(Schedule 1)

Year Ended December 31, 2019

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

The following is a summary of program expenses by object:

	Budget	2019	2018 (Restated)
Amortization	\$ -	\$ 11,910	\$ 11,692
Dues and water fees	2,500	2,039	756
Fuel	4,000	3,846	3,677
Full spectrum & nitrates tests	2,500	2,360	2,386
Maintenance	13,750	10,948	13,379
Miscellaneous	2,500	3,748	3,409
Subcontract	9,400	9,471	8,955
System review and feasibility study	3,000	2,723	2,670
	<u>\$ 37,650</u>	<u>\$ 47,045</u>	<u>\$ 46,924</u>

Administration Expenses

(Schedule 2)

Year Ended December 31, 2019

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

The following is a summary of administration expenses by object

	Budget	2019	2018
Bank charges	\$ 280	\$ 188	\$ 262
Insurance	6,800	6,877	6,427
Office	3,000	2,235	2,281
Professional fees	6,500	4,830	6,755
Subcontract	26,840	21,216	24,546
Telephone	700	567	689
Travel	3,000	3,274	2,640
Trustee expense	1,500	1,239	65
	<u>\$ 48,620</u>	<u>\$ 40,426</u>	<u>\$ 43,665</u>