

SAVARY SHORES IMPROVEMENT DISTRICT

Financial Statements

Year Ended December 31, 2020

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

SAVARY SHORES IMPROVEMENT DISTRICT

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Year Ended December 31, 2020

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

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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 (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.

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 Independent Practitioner's 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, 2021



Chartered Professional Accountants

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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, 2020, 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, 2020, 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, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Financial Position

December 31, 2020

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

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 80,200	\$ 79,176
Accounts receivable	863	789
Goods and services tax receivable	2,533	1,151
Long term investment held for capital reserve fund (Note 4)	76,637	75,485
	<u>160,233</u>	<u>156,601</u>
LIABILITIES		
Accounts payable and accrued liabilities	16,497	6,792
Deferred income	835	-
	<u>17,332</u>	<u>6,792</u>
NET FINANCIAL ASSETS	<u>142,901</u>	<u>149,809</u>
NON-FINANCIAL ASSETS		
Inventory	10,656	11,017
Prepaid expenses	8,293	7,893
Tangible capital assets (Note 5)	340,111	311,094
	<u>359,060</u>	<u>330,004</u>
ACCUMULATED SURPLUS (Note 6)	<u>\$ 501,961</u>	<u>\$ 479,813</u>

ON BEHALF OF THE BOARD

Dale Gregory Trustee

Bryan R Miles Trustee

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Operations

Year Ended December 31, 2020

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

	Budget	2020	2019
REVENUES			
District tax	\$ 58,320	\$ 58,320	\$ 57,240
Connection tax	30,060	30,060	28,875
Asset renewal levy	10,800	10,800	10,800
Interest income	1,600	1,403	1,386
Lost discounts	1,300	1,035	1,278
Additional levies and charges	1,000	1,113	789
Connection and repair charges	835	835	1,670
	<u>103,915</u>	<u>103,566</u>	<u>102,038</u>
EXPENSES			
Operations Expenses <i>(Schedule 1)</i>	43,890	37,911	47,045
Administration Expenses <i>(Schedule 2)</i>	45,440	40,961	40,426
	<u>89,330</u>	<u>78,872</u>	<u>87,471</u>
SURPLUS FROM OPERATIONS	14,585	24,694	14,567
Loss on Disposal of Tangible Assets	-	(2,546)	-
ANNUAL SURPLUS	<u>\$ 14,585</u>	<u>\$ 22,148</u>	<u>\$ 14,567</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, 2020

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

	2020	2019
ACCUMULATED SURPLUS (DEFICIT) - BEGINNING OF YEAR	\$ 479,813	\$ 465,246
ANNUAL SURPLUS	<u>22,148</u>	<u>14,567</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 501,961</u>	<u>\$ 479,813</u>

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

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Changes in Net Financial Assets

Year Ended December 31, 2020

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

	2020	2019
ANNUAL SURPLUS	\$ 22,148	\$ 14,567
Amortization of tangible capital assets	11,484	11,910
Purchase of tangible capital assets	(43,247)	(4,343)
Proceeds on disposal of tangible capital assets	200	-
Loss on disposal of assets	2,546	-
Increase in prepaid expenses	(400)	(200)
Decrease (increase) in inventory	361	(240)
	<u>(29,056)</u>	<u>7,127</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(6,908)	21,694
NET FINANCIAL ASSETS - BEGINNING OF YEAR	149,809	128,115
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 142,901</u>	<u>\$ 149,809</u>

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

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Cash Flows

Year Ended December 31, 2020

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

	2020	2019
OPERATING ACTIVITIES		
Annual surplus	\$ 22,148	\$ 14,567
Items not affecting cash:		
Amortization of tangible capital assets	11,484	11,910
Loss on disposal of tangible capital assets	2,546	-
	<u>36,178</u>	<u>26,477</u>
Changes in non-cash working capital:		
Accounts receivable	(74)	1,394
Inventory	361	(240)
Accounts payable and accrued liabilities	9,705	(1,726)
Deferred income	835	(835)
Prepaid expenses	(400)	(200)
Goods and services tax receivable	(1,382)	1,213
	<u>9,045</u>	<u>(394)</u>
Cash flow from operating activities	<u>45,223</u>	<u>26,083</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(43,247)	(4,343)
Proceeds on disposal of tangible capital assets	200	-
Cash flow used by investing activities	<u>(43,047)</u>	<u>(4,343)</u>
INCREASE IN CASH FLOW	2,176	21,740
Cash - beginning of year	<u>154,661</u>	<u>132,921</u>
CASH - END OF YEAR	<u>\$ 156,837</u>	<u>\$ 154,661</u>
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 80,200	\$ 79,176
Long term investment held for capital reserve fund	<u>76,637</u>	<u>75,485</u>
	<u>\$ 156,837</u>	<u>\$ 154,661</u>

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

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

(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 the 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	12 - 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.

In the year of acquisition, the District provides for amortization at a pro-rated amount based on the number of full months the tangible capital asset was in use. Tangible capital assets not placed into use are not amortized until they are placed into use.

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SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 are 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

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

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

3. CASH AND CASH EQUIVALENT

	<u>2020</u>	<u>2019</u>
Cash restricted for capital reserve fund	\$ 50,881	\$ 54,877
Unrestricted cash	<u>29,319</u>	<u>24,299</u>
	<u>\$ 80,200</u>	<u>\$ 79,176</u>

4. LONG TERM INVESTMENTS HELD FOR CAPITAL RESERVE FUND

	Purchase date	Maturity date	Interest rate %	<u>2020</u>	<u>2019</u>
Term deposit #4	June 12, 2019	June 12, 2021	2.35	\$ 8,350	\$ 8,158
Term deposit #5	September 17, 2019	September 17, 2021	2.35	11,054	10,800
Term deposit #7	January 23, 2020	January 23, 2023	2.10	57,233	-
Term deposit #1, matured				-	56,527
				<u>\$ 76,637</u>	<u>\$ 75,485</u>

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

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

5. TANGIBLE CAPITAL ASSETS

	Land	Water Distribution and Pipework	Water system supply & storage	Buildings	Meters	Vehicle	Total
Cost							
Balance Jan 1, 2020	\$ 30,972	\$ 129,716	\$ 215,543	\$ 79,824	\$ 39,697	\$ 5,742	\$ 501,494
Additions	-	7,568	33,644	1,285	750	-	43,247
Disposals	-	-	(17,160)	-	-	-	(17,160)
Balance Dec 31, 2020	\$ 30,972	\$ 137,284	\$ 232,027	\$ 81,109	\$ 40,447	\$ 5,742	\$ 527,581
Accumulated Amortization							
Balance Jan 1, 2020	\$ -	\$ 62,317	\$ 73,173	\$ 37,846	\$ 15,533	\$ 1,531	\$ 190,400
Amortization	-	1,777	5,804	2,327	1,002	574	11,484
Disposals	-	-	(14,414)	-	-	-	(14,414)
Balance Dec 31, 2020	\$ -	\$ 64,094	\$ 64,563	\$ 40,173	\$ 16,535	\$ 2,105	\$ 187,470
Net book value	\$ 30,972	\$ 73,190	\$ 167,464	\$ 40,936	\$ 23,912	\$ 3,637	\$ 340,111

	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

6. ACCUMULATED SURPLUS

	2019 Balance	Surplus (deficit)	Transfers	2020 Balance
Operating fund	\$ 38,357	\$ 22,148	\$ (26,173)	\$ 34,332
Capital reserve fund (Note 7)	130,362	-	(2,844)	127,518
Equity in tangible capital assets	311,094	-	29,017	340,111
	\$ 479,813	\$ 22,148	\$ -	\$ 501,961

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

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

7. CAPITAL RESERVE FUND

	2020	2019
Balance at beginning of year	\$ 130,362	\$ 122,519
Interest income	1,403	1,386
	131,765	123,905
Contribution to Capital Reserve	38,800	10,800
Water distribution and pipework purchases	(7,568)	-
Water system supply & storage purchases	(33,644)	(2,130)
Building purchases	(1,285)	(1,536)
Meter purchases	(750)	(677)
Proceeds on asset disposal	200	-
	127,518	130,362

8. OPERATING SEGMENTS

Activities of the District are separated based upon the nature of the expenditures as they relate to the following segments:

Operations

The Operations segment covers maintenance of the waterworks infrastructure assets for continuous drinking water delivery, and includes costs for a system operator, water sampler, meter reader, and general maintenance staff. This segment name was changed to Operations from Program in the current year.

Administration

The Administration segment covers governance, finance, and administrative management of the District as an organization, and includes costs of an administrator.

9. 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, 2020.

(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

Notes to Financial Statements

Year Ended December 31, 2020

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

10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

SAVARY SHORES IMPROVEMENT DISTRICT

Operations Expenses

(Schedule 1)

Year Ended December 31, 2020

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

The following is a summary of operations segment expenses by object:

	Budget	2020	2019
Amortization	\$ 12,000	\$ 11,484	\$ 11,910
Dues and water fees	1,500	1,275	2,039
Fuel	4,500	3,059	3,846
Full spectrum & nitrates tests	2,000	1,235	2,360
Maintenance	9,550	8,453	10,948
Miscellaneous	-	-	3,748
Subcontract	11,620	9,735	9,471
System review and feasibility study	2,720	2,670	2,723
	<u>\$ 43,890</u>	<u>\$ 37,911</u>	<u>\$ 47,045</u>

Administration Expenses

(Schedule 2)

Year Ended December 31, 2020

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

The following is a summary of administration segment expenses by object

	Budget	2020	2019
Bank charges	\$ 200	\$ 107	\$ 188
Insurance	7,010	7,194	6,877
Office	2,290	2,041	2,235
Professional fees	4,980	5,240	4,830
Subcontract	25,500	23,175	21,216
Telephone	600	835	567
Travel	3,600	2,254	3,274
Trustee expense	1,260	115	1,239
	<u>\$ 45,440</u>	<u>\$ 40,961</u>	<u>\$ 40,426</u>