

SAVARY SHORES IMPROVEMENT DISTRICT

Financial Statements

Year Ended December 31, 2018

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

SAVARY SHORES IMPROVEMENT DISTRICT

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Year Ended December 31, 2018
(Unaudited)

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dmd

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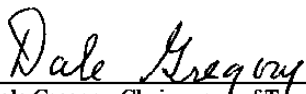
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Savary Shores Improvement District have been prepared in accordance with Canadian public sector accounting standards. 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, 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 20, 2019



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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 which comprise the statement of financial position as at December 31, 2018 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, 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 for the Financial Statements

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.

Basis for Qualified Conclusion

The District does not amortize their tangible capital assets, as required by public sector accounting guidelines, they are carried at historical cost. We are unable to determine what the effects would be to the non-financial assets, accumulated surplus and annual surplus should those assets be amortized and shown at depreciated cost.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the *Basis for Qualified Conclusion* paragraph, 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian public sector accounting standards.

Powell River, British Columbia
April 20, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Financial Position

December 31, 2018

(Unaudited)

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 3)</i>	\$ 68,942	\$ 84,097
Accounts receivable	2,183	784
Goods and services tax recoverable	2,364	1,805
Long term investment held for capital reserve fund <i>(Note 4)</i>	63,979	63,440
	<u>137,468</u>	<u>150,126</u>
LIABILITIES		
Accounts payable and accrued liabilities	8,520	5,870
Deferred income	835	-
	<u>9,355</u>	<u>5,870</u>
NET FINANCIAL ASSETS	<u>128,113</u>	<u>144,256</u>
NON-FINANCIAL ASSETS		
Inventory	10,777	10,323
Prepaid expenses	7,693	7,204
Tangible capital assets <i>(Note 5)</i>	263,889	235,612
	<u>282,359</u>	<u>253,139</u>
ACCUMULATED SURPLUS	<u>\$ 410,472</u>	<u>\$ 397,395</u>

ON BEHALF OF THE BOARD

Dale Gregory Trustee
Ben R. Miller Trustee

See notes to financial statements

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Operations

Year Ended December 31, 2018

(Unaudited)

	2018 Budget	2018	2017
REVENUES			
Connection tax	\$ 28,875	\$ 28,700	\$ 26,080
District tax	57,240	57,240	51,840
Additional levies and charges	800	447	800
Hookup charges	-	1,931	835
Other income	1,500	2,333	442
	<u>88,415</u>	<u>90,651</u>	<u>79,997</u>
EXPENSES			
Program Expenses (Schedule 1)	41,050	35,232	41,202
Administration Expenses (Schedule 2)	41,025	43,665	51,304
	<u>82,075</u>	<u>78,897</u>	<u>92,506</u>
SURPLUS (DEFICIT) FROM OPERATIONS	6,340	11,754	(12,509)
OTHER INCOME	710	1,325	682
ANNUAL SURPLUS (DEFICIT)	<u>\$ 7,050</u>	<u>\$ 13,079</u>	<u>\$ (11,827)</u>

See notes to financial statements

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Changes in Accumulated Surplus

Year Ended December 31, 2018

(Unaudited)

	2018	2017
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 397,395	\$ 409,222
ANNUAL SURPLUS (DEFICIT)	13,079	(11,827)
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 410,472</u>	<u>\$ 397,395</u>

See notes to financial statements

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Changes in Net Financial Assets

Year Ended December 31, 2018

(Unaudited)

	2018	2017
ANNUAL SURPLUS (DEFICIT)	\$ 13,079	\$ (11,827)
Purchase of tangible capital assets	(28,277)	-
Acquisition of inventory	(1,615)	(1,556)
Consumption of inventory	1,161	766
Acquisition of prepaid expenses	(9,586)	(9,042)
Use of prepaid expense	9,095	6,191
	<u>(29,222)</u>	<u>(3,641)</u>
DECREASE IN NET FINANCIAL ASSETS	(16,143)	(15,468)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	144,256	159,724
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 128,113</u>	<u>\$ 144,256</u>

See notes to financial statements

SAVARY SHORES IMPROVEMENT DISTRICT

Statement of Cash Flows
Year Ended December 31, 2018

(Unaudited)

	2018	2017
OPERATING ACTIVITIES		
Annual Surplus (deficit)	\$ 13,079	\$ (11,827)
Changes in non-cash working capital:		
Accounts receivable	(1,399)	888
Inventory	(454)	(791)
Accounts payable and accrued liabilities	2,648	(2,842)
Deferred income	835	-
Prepaid expenses	(489)	(2,853)
Goods and services tax payable	(559)	(1,360)
	582	(6,958)
Cash flow from (used by) operating activities	13,661	(18,785)
INVESTING ACTIVITY		
Purchase of tangible capital assets	(28,277)	-
Cash flow from (used by) investing activity	(28,277)	-
DECREASE IN CASH FLOW	(14,616)	(18,785)
Cash - beginning of year	147,537	166,322
CASH - END OF YEAR	\$ 132,921	\$ 147,537
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 68,942	\$ 84,097
Long term investment held for capital reserve fund	63,979	63,440
	\$ 132,921	\$ 147,537

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2018

(Unaudited)

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, 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 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, 2018

(Unaudited)

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;

3. CASH AND CASH EQUIVALENT

	<u>2018</u>		<u>2017</u>
Cash restricted for capital reserve fund	\$ 62,142	\$	86,029
Unrestricted cash	6,800		(1,932)
	<u>\$ 68,942</u>	<u>\$</u>	<u>84,097</u>

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2018

(Unaudited)

4. LONG TERM INVESTMENTS HELD FOR CAPITAL RESERVE FUND

	Purchase date	Maturity date	Interest rate %	2018	2017
Term deposit	January 23, 2017	January 23, 2022	1.10	\$ 55,911	\$ 55,440
Term deposit	June 6, 2017	June 6, 2022	1.10	8,068	8,000
				\$ 63,979	\$ 63,440

5. TANGIBLE CAPITAL ASSETS

	Land	Buildings	Equipment	Water distribution Fixtures	Water distribution Pipework	Motor Vehicle	Total
Cost							
Balance Jan 1, 2018	\$ 12,439	\$ 90,555	\$ 122,857	\$ 336	\$ 3,683	\$ 5,742	\$ 235,612
Additions	-	24,673	3,604	-	-	-	28,277
Disposals	-	-	-	-	-	-	-
Balance Dec 31, 2018	\$ 12,439	\$ 115,228	\$ 126,461	\$ 336	\$ 3,683	\$ 5,742	\$ 263,889

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

6. ACCUMULATED SURPLUS

	2017 Balance	Surplus (deficit)	Transfers	2018 Balance
Capital reserve fund	\$ 149,469	\$ 1,325	\$ (24,673)	\$ 126,121
Operating fund	247,924	11,754	24,673	284,351
	\$ 397,393	\$ 13,079	\$ -	\$ 410,472

SAVARY SHORES IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2018

(Unaudited)

7. CAPITAL RESERVE FUND

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 149,469	\$ 158,787
Interest income	1,325	682
	<u>150,794</u>	159,469
Contribution to (from) Capital Reserve	-	(10,000)
Building of generator enclosure	<u>(24,673)</u>	-
Balance at end of year	<u>\$ 126,121</u>	<u>\$ 149,469</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, 2018.

(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, 2018

(Unaudited)

The following is a summary of program expenses by object:

	2018 Budget	2018	2017
Dues and water fees	\$ 3,500	\$ 756	\$ 1,789
Fuel	2,800	3,677	2,242
Full spectrum & nitrates tests	2,000	2,386	1,366
Maintenance	15,750	13,379	10,870
Miscellaneous	-	3,409	-
Subcontract	14,000	8,955	12,440
System review and feasibility study	3,000	2,670	12,495
	<u>\$ 41,050</u>	<u>\$ 35,232</u>	<u>\$ 41,202</u>

Administration Expenses

(Schedule 2)

Year Ended December 31, 2018

(Unaudited)

The following is a summary of administration expenses by object

	2018 Budget	2018	2017
Bank charges	\$ 250	\$ 262	\$ 205
Insurance	6,500	6,427	6,141
Office	2,750	2,281	2,167
Professional fees	5,300	6,755	5,471
Subcontract	24,000	24,546	34,719
Telephone	700	689	664
Travel	25	2,640	1,017
Trustee expense	1,500	65	920
	<u>\$ 41,025</u>	<u>\$ 43,665</u>	<u>\$ 51,304</u>