

SCOTT POINT WATERWORKS DISTRICT
Financial Statements
Year Ended December 31, 2018

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Year Ended December 31, 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Scott Point Waterworks 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.

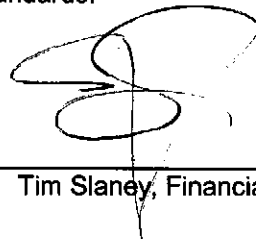
The integrity and reliability of Scott Point Waterworks District's reporting systems are achieved through the use of formal policies and procedures; the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Trustees prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by McLean, Lizotte, Wheadon and Company, in accordance with Canadian public sector accounting standards.



Richard Ballantyne, Chair



Tim Slaney, Financial Officer

Salt Spring Island, BC
April 03, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Scott Point Waterworks District

Report on the Financial Statements

Opinion

We have audited the financial statements of Scott Point Waterworks District (the District), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in net financial 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 *Auditor's 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.

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 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

(continues)

Independent Auditor's Report to the Members of Scott Point Waterworks District *(continued)*

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 auditor's 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 auditor's 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 auditor's 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.

McLean, Lizotte, Wheadon and Company

Salt Spring Island, British Columbia
April 3, 2019

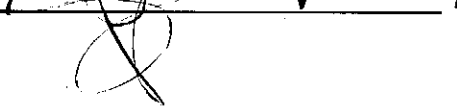
MCLEAN, LIZOTTE, WHEADON AND COMPANY
Chartered Professional Accountants



SCOTT POINT WATERWORKS DISTRICT
Statement of Financial Position
December 31, 2018

	Total 2018	Total 2017
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 31,315	\$ 47,034
Accounts receivable	28,186	14,178
Investments	38,464	37,496
	<u>97,965</u>	<u>98,708</u>
LIABILITIES		
Accounts payable and accrued liabilities	17,295	8,258
Deferred revenue and deposits	1,422	1,958
	<u>18,717</u>	<u>10,216</u>
NET FINANCIAL ASSETS	<u>79,248</u>	<u>88,492</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	640,237	587,679
Inventory held for consumption	164	164
Prepaid expenses	2,796	2,840
	<u>643,197</u>	<u>590,683</u>
ACCUMULATED SURPLUS	<u>\$ 722,445</u>	<u>\$ 679,175</u>

APPROVED BY:


 _____ Trustee

 _____ Trustee

SCOTT POINT WATERWORKS DISTRICT
Statement of Operations and Accumulated Surplus
Year Ended December 31, 2018

	Budget 2018	Actual 2018	Actual 2017
REVENUES			
Water Tolls	\$ 52,566	\$ 73,801	\$ 48,990
Parcel tax	30,721	30,500	24,400
Interest income	749	969	793
Other income	1,000	100	190
	<u>85,036</u>	<u>105,370</u>	<u>74,373</u>
EXPENSES			
Amortization	16,314	16,313	16,314
Bank charges	321	215	328
Dues and permits	567	800	150
Insurance	5,979	5,848	5,642
Laboratory costs	1,733	1,591	1,649
Consulting fees	-	2,019	-
Office and miscellaneous	4,875	3,119	3,617
Professional fees	4,635	4,750	5,450
Repairs and maintenance	42,156	23,476	33,422
Utilities	4,111	3,969	3,230
	<u>80,691</u>	<u>62,100</u>	<u>69,802</u>
ANNUAL SURPLUS	4,345	43,270	4,571
ACCUMULATED SURPLUS - BEGINNING OF YEAR	<u>679,175</u>	<u>679,175</u>	<u>674,604</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 683,520</u>	<u>\$ 722,445</u>	<u>\$ 679,175</u>

The accompanying notes are an integral part of these statements

SCOTT POINT WATERWORKS DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2018

	Budget 2018	Actual 2018	Actual 2017
ANNUAL SURPLUS	\$ 4,345	\$ 43,270	\$ 4,571
Amortization of tangible capital assets	16,314	16,314	16,313
Increase in tangible capital assets	(56,400)	(68,871)	(114,304)
Decrease (increase) in prepaid expenses	-	43	(225)
Decrease in inventory	-	-	3,015
Reserve fund depletion	35,741	-	-
	<u>(4,345)</u>	<u>(52,514)</u>	<u>(95,201)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	-	(9,244)	(90,630)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	-	88,492	179,122
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ -</u>	<u>\$ 79,248</u>	<u>\$ 88,492</u>

The accompanying notes are an integral part of these statements

SCOTT POINT WATERWORKS DISTRICT
Statement of Cash Flows
Year Ended December 31, 2018

	Actual 2018	Actual 2017
OPERATING ACTIVITIES		
Annual Surplus	\$ 43,270	\$ 4,571
Item not affecting cash:		
Amortization	16,313	16,313
	<u>59,583</u>	<u>20,884</u>
Changes in non-cash working capital:		
Accounts receivable	(14,008)	(4,007)
Accounts payable and accrued liabilities	9,039	(11,618)
Deferred revenue and deposits	(536)	1,191
Inventory held for consumption	-	3,015
Prepaid expenses	45	(224)
	<u>(5,460)</u>	<u>(11,643)</u>
Cash flow from operating activities	<u>54,123</u>	<u>9,241</u>
INVESTING ACTIVITIES		
Aquisition of tangible capital assets	(68,871)	(114,304)
Sale (purchase) of investments	(970)	(777)
Cash flow used by investing activities	<u>(69,841)</u>	<u>(115,081)</u>
DECREASE IN CASH FLOW	(15,718)	(105,840)
CASH - BEGINNING OF YEAR	47,033	152,874
CASH - END OF YEAR	<u>\$ 31,315</u>	<u>\$ 47,034</u>

The accompanying notes are an integral part of these statements

SCOTT POINT WATERWORKS DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

1. PURPOSE OF THE DISTRICT

Scott Point Waterworks District (the "district") is an improvement district incorporated under the Local Government Act of British Columbia. The purpose of the District is the acquisition, maintenance and operation of works for water distribution purposes and all matters incidental thereto.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The financial statements of the district have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the district are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, accumulated surplus, revenues, and expenses of the District. These are comprised of the Operating, Tangible Capital Assets, and Renewal Reserve Funds that are accountable for the administration of their financial affairs and resources to the Board and are controlled by the District. Inter-fund transactions have been eliminated.

Basis of accounting

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable on receipt of goods or services and/or the creation of a legal obligation to pay.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Investments

Investments are comprised of term deposits and are recorded at cost.

Deferred revenue and deposits

Deferred revenue consists of collected user charges and fees for which the related services have yet to be performed. Revenue is recognized in the period when the related services are performed.

Revenue recognition

Revenues are recognized as follows:

Water tolls are recorded upon provision of service when collection is reasonably assured. Water tolls received in advance of the toll being earned are deferred and recognized when the toll is earned and billed.

Parcel taxes are recorded annually, when authorized by by-law, for the taxable period for which the tax is levied.

SCOTT POINT WATERWORKS DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

I. Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of an asset. The cost, less residual value of the capital asset is amortized on a straight-line basis at the following rates:

Buildings	50 years
Equipment	5 years
Treatment plant	25 years
Water towers and tanks	35 years
Waterworks distribution and collection systems	50 years
Wells	60 years
Well pumps	20 years

Non-financial assets acquired during the year but not placed into use are not amortized until they are placed into use.

II. Inventory and prepaid expenses

Inventories and prepaid expenses are recorded at the lower of cost and replacement cost.

Use of estimates

Preparation of the financial statements in conformity with Canadian public sector accounting standards requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets and estimating provisions for accrued liabilities. Actual results could differ from these estimates and adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.

Financial instruments

The District's financial instruments consist of cash, accounts receivable, investments, accounts payable, and deferred revenue. The carrying amount of these financial instruments approximates their fair value because they are short-term in nature or because they bear interest at market rates.

Unless otherwise noted, it is management's opinion that the District is not exposed to significant interest, liquidity or credit risk arising from these financial instruments.

SCOTT POINT WATERWORKS DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

3. TANGIBLE CAPITAL ASSETS

<u>Cost</u>	2017 Balance	Additions	Disposals	2018 Balance
Buildings	\$ 15,332	\$ -	\$ -	\$ 15,332
Treatment plant	46,280	-	-	46,280
Valves	6,217	-	-	6,217
Water towers and tanks	354,421	-	-	354,421
Waterworks systems	171,187	-	-	171,187
Well pumps	9,071	-	-	9,071
Assets under construction	114,305	68,871	-	183,176
	-	-	-	-
	\$ 716,813	\$ 68,871	\$ -	\$ 785,684

<u>Accumulated Amortization</u>	2017 Balance	Amortization	Accumulated Amortization on Disposals	2018 Balance
Buildings	\$ 3,070	\$ 307	\$ -	\$ 3,377
Treatment plant	18,511	1,851	-	20,362
Valves	1,550	155	-	1,705
Water towers and tanks	75,007	10,123	-	85,130
Waterworks systems	26,465	3,424	-	29,889
Well pumps	4,531	453	-	4,984
	-	-	-	-
	\$ 129,134	\$ 16,313	\$ -	\$ 145,447

<u>Net book value</u>	2018	2017
Buildings	\$ 11,955	\$ 12,262
Treatment plant	25,918	27,769
Valves	4,512	4,667
Water towers and tanks	269,291	279,414
Waterworks systems	141,298	144,722
Well pumps	4,087	4,540
Assets under construction	183,176	114,305
	-	-
	\$ 640,237	\$ 587,679

SCOTT POINT WATERWORKS DISTRICT
Notes to Financial Statements
Year Ended December 31, 2018

4. ACCUMULATED SURPLUS

	2018	2017
<u>Surplus from operations</u>		
Balance, beginning of year	\$ 91,496	\$ 76,072
Add: current year surplus	59,583	20,108
Purchase of tangible capital assets	(68,871)	(4,684)
	82,208	91,496
 <u>Invested in tangible capital assets</u>		
Balance, beginning of year	587,679	489,687
Add: Purchase of tangible capital assets	68,871	114,305
Less: amortization	(16,313)	(16,313)
	640,237	587,679
 Grand total	 \$ 722,445	 \$ 679,175

5. COMMITMENTS

The District entered into a contract with the North Salt Spring Waterworks District for repairs and operations and maintenance services. The contract is for twelve months, but can be cancelled with 3 month notice.

6. BUDGET

The financial plan is prepared on a revenue and expenditure basis. The unaudited budget figures presented in these financial statements have been approved by the trustees for the year and are presented for information purposes only.