

**SCOTT POINT WATERWORKS DISTRICT**  
**Financial Statements**  
**Year Ended December 31, 2019**

**SCOTT POINT WATERWORKS DISTRICT**  
**Index to Financial Statements**  
**Year Ended December 31, 2019**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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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.

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Richard Ballantyne, Chair

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Tim Slaney, Financial Officer

Salt Spring Island, BC  
April 03, 2020

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## INDEPENDENT AUDITOR'S REPORT

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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, 2019, and the statements of operations and accumulated surplus, changes in net financial assets (debt) 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, 2019, 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*

**MCLEAN, LIZOTTE, WHEADON AND COMPANY**  
**Chartered Professional Accountants**

Salt Spring Island, British Columbia  
April 3, 2020



**SCOTT POINT WATERWORKS DISTRICT**  
**Statement of Financial Position**  
**December 31, 2019**

	Total 2019	Total 2018
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 47,028	\$ 31,315
Accounts receivable	10,602	28,186
Investments	39,502	38,464
	<u>97,132</u>	<u>97,965</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	17,433	17,295
Deferred revenue and deposits	3,485	1,422
	<u>20,918</u>	<u>18,717</u>
<b>NET FINANCIAL ASSETS</b>	<u>76,214</u>	<u>79,248</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Note 3)</i>	652,143	640,237
Inventory held for consumption	-	164
Prepaid expenses	2,994	2,796
	<u>655,137</u>	<u>643,197</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 731,352</u>	<u>\$ 722,445</u>

APPROVED BY:

\_\_\_\_\_ *Trustee*

\_\_\_\_\_ *Trustee*

The accompanying notes are an integral part of these statements

**SCOTT POINT WATERWORKS DISTRICT**  
**Statement of Operations and Accumulated Surplus**  
**Year Ended December 31, 2019**

	Budget 2019	Actual 2019	Actual 2018
<b>REVENUES</b>			
Water Tolls	\$ 55,194	\$ 54,339	\$ 73,801
Parcel tax	30,500	30,550	30,500
Interest income	850	1,038	969
Other income	1,000	-	100
	<u>87,544</u>	<u>85,927</u>	<u>105,370</u>
<b>EXPENSES</b>			
Advertising and promotion	-	80	-
Amortization	16,314	23,653	16,313
Bank charges	-	175	215
Dues and permits	350	350	800
Insurance	6,159	5,946	5,848
Laboratory costs	1,785	3,653	1,591
Consulting fees	-	-	2,019
Office and miscellaneous	5,352	2,408	3,119
Professional fees	4,774	5,500	4,750
Repairs and maintenance	51,211	30,343	23,476
Utilities	4,235	4,911	3,969
	<u>90,180</u>	<u>77,019</u>	<u>62,100</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	(2,636)	8,908	43,270
ACCUMULATED SURPLUS - BEGINNING OF YEAR	<u>679,175</u>	<u>722,444</u>	<u>679,175</u>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<u>\$ 676,539</u>	<u>\$ 731,352</u>	<u>\$ 722,445</u>

The accompanying notes are an integral part of these statements

**SCOTT POINT WATERWORKS DISTRICT**  
**Statement of Changes in Net Financial Assets (Debt)**  
**Year Ended December 31, 2019**

	Budget 2019	Actual 2019	Actual 2018
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ (2,636)	\$ <b>8,908</b>	\$ 43,270
Amortization of tangible capital assets	16,314	<b>23,653</b>	16,313
Increase in tangible capital assets	(15,000)	<b>(35,561)</b>	(68,871)
Decrease (increase) in prepaid expenses	-	<b>(198)</b>	44
Decrease in inventory	-	<b>164</b>	-
Reserve fund depletion	-	-	-
	<u>1,314</u>	<u><b>(11,942)</b></u>	<u>(52,514)</u>
<b>DECREASE IN NET FINANCIAL ASSETS</b>	(1,322)	<b>(3,034)</b>	(9,244)
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	-	<b>79,248</b>	88,492
<b>NET FINANCIAL ASSETS (DEBT) - END OF YEAR</b>	<u>\$ (1,322)</u>	<u>\$ <b>76,214</b></u>	<u>\$ 79,248</u>

The accompanying notes are an integral part of these statements



**SCOTT POINT WATERWORKS DISTRICT**  
**Statement of Cash Flows**  
**Year Ended December 31, 2019**

	Actual 2019	Actual 2018
<b>OPERATING ACTIVITIES</b>		
Annual Surplus	\$ 8,908	\$ 43,270
Item not affecting cash:		
Amortization	<u>23,653</u>	16,313
	<u>32,561</u>	<u>59,583</u>
Changes in non-cash working capital:		
Accounts receivable	17,584	(14,008)
Accounts payable and accrued liabilities	138	9,039
Deferred revenue and deposits	2,063	(536)
Inventory held for consumption	164	-
Prepaid expenses	<u>(198)</u>	45
	<u>19,751</u>	<u>(5,460)</u>
Cash flow from operating activities	<u>52,312</u>	<u>54,123</u>
<b>INVESTING ACTIVITIES</b>		
Aquisition of tangible capital assets	(35,559)	(68,871)
Sale (purchase) of investments	<u>(1,040)</u>	<u>(970)</u>
Cash flow used by investing activities	<u>(36,599)</u>	<u>(69,841)</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>15,713</b>	<b>(15,718)</b>
<b>CASH - BEGINNING OF YEAR</b>	<u>31,315</u>	<u>47,033</u>
<b>CASH - END OF YEAR</b>	<u>\$ 47,028</u>	<u>\$ 31,315</u>

The accompanying notes are an integral part of these statements

**SCOTT POINT WATERWORKS DISTRICT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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**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.

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**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.

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**SCOTT POINT WATERWORKS DISTRICT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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**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	50 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.

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**SCOTT POINT WATERWORKS DISTRICT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**3. TANGIBLE CAPITAL ASSETS**

<u>Cost</u>	2018 Balance	Additions	Disposals	2019 Balance
Buildings	\$ 15,332	\$ 10,117	\$ -	\$ 25,449
Treatment plant	46,280	133,797	-	180,077
Water towers and tanks	354,421	8,182	-	362,603
Waterworks systems	177,405	54,929	-	232,334
Well pumps	9,071	8,253	-	17,324
Well	-	3,455	-	3,455
Assets under construction	183,176	-	-	-
	-	-	-	-
	<b>\$ 785,685</b>	<b>\$ 218,733</b>	<b>\$ -</b>	<b>\$ 821,242</b>

<u>Accumulated Amortization</u>	2018 Balance	Amortization	Accumulated Amortization on Disposals	2019 Balance
Buildings	\$ 3,377	\$ 509	\$ -	\$ 3,886
Treatment plant	20,362	7,203	-	27,565
Water towers and tanks	85,130	10,358	-	95,488
Waterworks systems	31,594	4,647	-	36,241
Well pumps	4,984	866	-	5,850
Well	-	69	-	69
	-	-	-	-
	<b>\$ 145,447</b>	<b>\$ 23,652</b>	<b>\$ -</b>	<b>\$ 169,099</b>

<u>Net book value</u>	2019	2018
Buildings	\$ 21,563	\$ 11,955
Treatment plant	152,512	25,918
Water towers and tanks	267,115	269,291
Waterworks systems	196,093	145,811
Well pumps	11,474	4,087
Well	3,386	-
Assets under construction	-	183,176
	-	-
	<b>\$ 652,143</b>	<b>\$ 640,238</b>

**SCOTT POINT WATERWORKS DISTRICT**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**4. ACCUMULATED SURPLUS**

	2019	2018
<u>Surplus from operations</u>		
Balance, beginning of year	\$ 82,208	\$ 91,496
Add: current year surplus	32,559	59,583
Purchase of tangible capital assets	(35,559)	(68,871)
	<b>79,208</b>	<b>82,208</b>
 <u>Invested in tangible capital assets</u>		
Balance, beginning of year	640,237	587,679
Add: Purchase of tangible capital assets	35,559	68,871
Less: amortization	(23,652)	(16,313)
	<b>652,144</b>	<b>640,237</b>
 Grand total	 <b>\$ 731,352</b>	 <b>\$ 722,445</b>

**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.