

Financial Statements of
**COBBLE HILL
IMPROVEMENT DISTRICT**
Year Ended December 31, 2018

FLEMING & COMPANY



COBBLE HILL IMPROVEMENT DISTRICT

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Year ended December 31, 2018

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FLEMING & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANT

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and fair presentation of the accompanying financial statements, including responsibility of significant accounting judgments and estimates in accordance with Canadian public accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities of the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Trustees is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management including internal controls over the financial reporting process, auditing matters and financial reporting issues.

Fleming & Company, an independent Chartered Professional Accountant, is appointed by the Board of Trustees to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to management and the Board to discuss their audit findings.

Corporate Administrator,
Darrin McCormack, CPA, CGA, CFE

Financial Administrator,
Roanna McCormack, CPA, CGA, BAccS

April 16, 2019

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Cobble Hill Improvement District

Opinion

I have audited the accompanying financial statements of Cobble Hill Improvement District, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net financial assets and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cobble Hill 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 Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of my report. I am independent of Cobble Hill Improvement District in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical requirements in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing Cobble Hill Improvement District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Cobble Hill Improvement District, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Cobble Hill Improvement District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

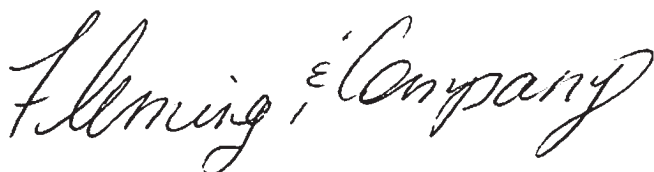
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- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 Cobble Hill Improvement 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 Cobble Hill Improvement District's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However future events or conditions may cause Cobble Hill Improvement 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FLEMING & COMPANY
Chartered Professional Accountant
Victoria, British Columbia
April 16, 2019

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COBBLE HILL IMPROVEMENT DISTRICT
Statement of Financial Position
As at December 31, 2018

	2018	2017
Financial Assets		
Cash	\$ 158,248	\$ 202,834
Restricted cash (Note 2)	368,690	275,368
Accounts receivable	31,053	28,716
Accrued interest receivable	2,986	2,935
GST rebate receivable	2,371	5,186
Due from funds (Schedule 1 & 3)	-	36,000
Total Financial Assets	563,348	551,039
Liabilities		
Accounts payable and accrued liabilities	25,184	30,734
Wages and related costs payable	5,767	6,142
Due to funds (Schedule 1 & 3)	-	36,000
Total Liabilities	30,951	72,876
Net Financial Assets	532,397	478,163
Non-Financial Assets		
Prepaid Expenses	4,775	4,797
Tangible Capital Assets (Note 3)	1,407,202	1,438,593
Total Non-Financial Assets	1,411,977	1,443,390
Accumulated Surplus - Exhibit B	\$ 1,944,374	\$ 1,921,553

See accompanying notes to financial statements

Approved on behalf of the District:


 _____ Trustee


 _____ Trustee

Exhibit A

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COBBLE HILL IMPROVEMENT DISTRICT
Statement of Operations
For the year ended December 31, 2018

	2018 Budget	2018 Actual	2017 Actual
Revenues			
Water tolls	\$ 160,000	\$ 162,616	\$ 157,048
Taxes	61,750	61,779	61,565
Interest income	5,250	4,595	5,754
Capital expenditure charges	18,000	18,000	4,500
Other income	4,000	3,228	3,675
	249,000	250,218	232,542
Expenses			
Amortization	32,101	31,941	31,768
Bank charges, interest and merchant fees	2,500	2,637	2,445
Education	750	-	1,438
Engineering	20,000	12,118	12,627
Honoraria (Note 4)	8,000	8,000	6,000
Insurance, licences and fees	10,750	10,645	10,230
Office and administration (Note 4)	54,725	55,183	52,032
Professional fees	10,500	6,998	6,615
Repairs and maintenance	66,775	81,997	65,387
Utilities	17,000	17,878	16,553
	223,101	227,397	205,095
Annual Surplus	25,899	22,821	27,447
Accumulated Surplus, Beginning of Year	1,921,553	1,921,553	1,894,106
Accumulated Surplus, End of Year	\$ 1,947,452	\$ 1,944,374	\$ 1,921,553

See accompanying notes to financial statements

Exhibit B

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COBBLE HILL IMPROVEMENT DISTRICT
Statement of Changes in Net Financial Assets
For the year ended December 31, 2018

	2018 Budget	2018 Actual	2017 Actual
Annual Surplus	\$ 25,899	\$ 22,821	\$ 27,447
Acquisition of tangible capital assets	-	(550)	(4,964)
Amortization	32,101	31,941	31,768
Prepaid Expenses	-	22	(269)
Change in Net Financial Assets	58,000	54,234	53,982
Net Financial Assets, Beginning of Year	478,163	478,163	424,181
Net Financial Assets, End of Year	\$ 536,163	\$ 532,397	\$ 478,163

See accompanying notes to financial statements

Exhibit C

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COBBLE HILL IMPROVEMENT DISTRICT
Statement of Cash Flows
For the year ended December 31, 2018

	2018	2017
Operating transactions		
Annual surplus	\$ 22,821	\$ 27,447
Items not involving cash		
Amortization	31,941	31,768
Change in non-cash items on statement of financial position		
Accounts receivable	(2,337)	500
Accrued interest receivable	(51)	(2,197)
GST rebate receivable	2,819	4,726
Accounts payable and accrued liabilities	(5,552)	17,204
Wages and related costs payable	(375)	1,636
Prepaid expenses	22	(269)
Cash provided by operating transactions	49,288	80,815
Capital transactions		
Purchase of capital assets	(550)	(4,966)
Cash used by capital transactions	(550)	(4,966)
Increase in cash	48,738	75,849
Cash, beginning of year	478,200	402,351
Cash, end of year	\$ 526,938	\$ 478,200
Represented by:		
Cash	\$ 158,248	\$ 202,834
Restricted cash	368,690	275,368
	\$ 526,938	\$ 478,202

See accompanying notes to financial statements

Exhibit D

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COBBLE HILL IMPROVEMENT DISTRICT
Schedule of Operations by Program
For the year ended December 31, 2018

Schedule	Program	2018 Revenues	2018 Expenses	2018 Annual Surplus	2017 Annual Surplus
1	Operations Fund	\$ 229,324	\$ 227,397	\$ 1,927	\$ 18,992
2	Capital Expenditures Fund	19,149	-	19,149	5,950
3	Capital Replacement Fund	1,745	-	1,745	2,505
		\$ 250,218	\$ 227,397	\$ 22,821	\$ 27,447

See accompanying notes to financial statements



COBBLE HILL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Cobble Hill Improvement District is an improvement district incorporated in 1979 under the *Local Government Act*, a statute of the Province of B.C. The Improvement District supplies water for domestic use within Cobble Hill Improvement District's boundaries.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada, which encompasses the following principles:

(a) Fund accounting:

Cobble Hill Improvement District records accounting transactions using the fund accounting method generally in use for governments. A fund is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Each fund has its own statement of operations which presents the results of operations for the fund. The financial position for the District is shown on the statement of financial position which includes the assets, liabilities and accumulated surplus of all funds presented in the financial statements.

The various funds have been consolidated for the purpose of presentation in the financial statements. Details of the operations of each fund are set out in the supplementary schedules.

The Capital Expenditure Fund, and the Capital Replacement Fund are externally restricted funds to be used for the purpose of renewal of the improvement district works as per the *Local Government Act* of British Columbia. The Operating Fund is used for operations of the improvements district and is used to record the operating costs of the services provided and general operations.

(b) Tangible Capital Assets:

Tangible capital assets are recorded at cost. Commencing in 2009 (with comparative figures being restated) all tangible capital assets have been included in the statement of financial position. Amortization is recognized as an expense in the statement of operations and is calculated using the straight-line method over their estimated useful lives as follows, unless otherwise noted:

<u>Asset Category</u>	<u>Useful Life Range</u>
Land	N/A
Computer equipment	Declining balance at 55%
Equipment	5 Years
Distribution system	60 - 80 Years
Facilities	35 - 60 Years

(c) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles for governments requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

COBBLE HILL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

1. Significant accounting policies continued

(d) Financial instruments:

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

(e) Revenue and expense recognition

Revenues are recorded on the accrual basis and amounts received or receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Parcel Taxes are recognized in the year they are levied.

Expenses are recognized on an accrual basis and are recognized in the period in which the goods and services are acquired and a liability is incurred or transfers are due.

(f) Inventories

Inventories of materials and supplies are included as expenses in the Statement of Operations in the period of acquisition.

2. Restricted cash:

	2018	2017
Comprised of:		
Capital Expenditure Charge Fund	\$ 111,954	\$ 92,821
Capital Replacement Reserve	256,736	182,547
	\$ 368,690	\$ 275,368

3. Tangible capital assets:

	2018	2017		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 750	\$ -	\$ 750	\$ 750
Equipment	8,626	7,291	1,335	1,891
Distribution system	1,605,348	467,902	1,137,446	1,159,267
Facilities	409,996	142,325	267,671	276,685
	\$ 2,024,720	\$ 617,518	\$ 1,407,202	\$ 1,438,593

COBBLE HILL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

4. **Related party transactions:**

The following is a summary of the organization's related party transactions:

	2018	2017
Office and administration:		
Payments to a company of which an officer is an associate	\$ -	\$ 26,883
Honoraria, paid as follows:		
Rob Reid	2,000	1,325
Harry Benson	1,200	935
Don Herriot	1,200	935
Jens Liebgott	1,200	935
William Motherwell	1,200	935
Darrin McCormack	1,200	935
	8,000	6,000
	\$ 8,000	\$ 32,883

These transactions were in the ordinary course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and approved by the Trustees.

5. **Financial instruments:**

Fair Value

The organization's carrying value of cash and cash equivalents, accounts receivable, prepaid expenses and accounts payable approximates its fair value due to immediate or short term maturity of these instruments.

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 organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its cash.

End of Notes



COBBLE HILL IMPROVEMENT DISTRICT
Schedule of Operations
Operations Fund
Year ended December 31, 2018

	2018	2017
Revenues		
Water tolls	\$ 162,616	\$ 157,047
Taxes	61,779	61,565
Interest income	1,701	1,799
Other income	3,228	3,675
	229,324	224,086
Expenses		
Amortization	31,941	31,768
Bank charges, interest and merchant fees	2,637	2,445
Education	-	1,438
Engineering	12,118	12,627
Honoraria (Note 4)	8,000	6,000
Insurance, licences and fees	10,645	10,230
Office and administration (Note 4)	55,183	52,032
Professional fees	6,998	6,615
Repairs and maintenance	81,997	65,386
Utilities	17,878	16,553
	227,397	205,094
Annual Surplus from operations	1,927	18,992
Accumulated Surplus, Beginning of Year	1,608,241	1,625,249
Interfund transfers:		
Transfers to Capital Replacement fund	(36,000)	(36,000)
Accumulated Surplus, End of Year	\$ 1,574,168	\$ 1,608,241

See accompanying notes to financial statements



COBBLE HILL IMPROVEMENT DISTRICT
Schedule of Operations
Capital Expenditure Charge Fund
Year ended December 31, 2018

	2018	2017
Revenues		
Connections fees	\$ 18,000	\$ 4,500
Interest income	1,149	1,450
	19,149	5,950
Expenses	-	-
Annual Surplus from Capital Expenditure Charge Fund	19,149	5,950
Accumulated Surplus, Beginning of Year	93,583	87,633
Accumulated Surplus, End of Year	\$ 112,732	\$ 93,583

See accompanying notes to financial statements



COBBLE HILL IMPROVEMENT DISTRICT
Schedule of Operations
Capital Replacement Reserve Fund
Year ended December 31, 2018

	2018	2017
Revenues		
Interest income	\$ 1,745	\$ 2,505
Expenses	-	-
Annual Surplus from Capital Replacement Reserve Fund	1,745	2,505
Accumulated Surplus, Beginning of Year	219,730	181,225
Interfund transfers:		
Transfers from Capital Replacement fund	36,000	36,000
Accumulated Surplus, End of Year	\$ 257,475	\$ 219,730

See accompanying notes to financial statements

