

**COBBLE HILL IMPROVEMENT DISTRICT**  
**Consolidated Financial Statements**  
**Year Ended December 31, 2019**

**COBBLE HILL IMPROVEMENT DISTRICT**  
**Index to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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The consolidated financial statements of Cobble Hill 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.

The integrity and reliability of Cobble Hill Improvement 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 by meeting 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 Board approves the financial statements and considers, for review approval by the members, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited on behalf of the members by Morine & Schindler LLP in accordance with Canadian public sector accounting standards (PSAS).

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Ms. Karen Berezcki, Administrator

Cobble Hill, BC  
June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Cobble Hill Improvement District

*Report on the Consolidated Financial Statements*

*Opinion*

We have audited the consolidated financial statements of Cobble Hill Improvement District (the Organization), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as at December 31, 2019, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

*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 Consolidated Financial Statements* section of our report. We are independent of the Organization in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Matter*

The consolidated financial statements for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 16, 2019.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Organization'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 the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Organization'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 Organization'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 consolidated 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.



**COBBLE HILL IMPROVEMENT DISTRICT**  
**Consolidated Statement of Financial Position**  
**December 31, 2019**

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash	\$ 621,305	\$ 526,938
Accounts receivable	75,445	28,844
Interest receivable	2,573	2,986
Goods and services tax recoverable	4,197	2,371
	<b>703,520</b>	561,139
<b>LIABILITIES</b>		
Accounts payable	55,329	19,578
Wages payable	1,343	1,774
Employee deductions payable	-	4,566
Deferred income	2,825	2,825
	<b>59,497</b>	28,743
<b>NET FINANCIAL ASSETS</b>	<b>644,023</b>	532,396
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	4,691	4,775
Tangible capital assets (Note 3)	1,375,127	1,407,202
	<b>1,379,818</b>	1,411,977
<b>ACCUMULATED SURPLUS</b>	<b>\$ 2,023,841</b>	\$ 1,944,373
<b>ON BEHALF OF COUNCIL</b>		
	<i>Trustee</i>	
	<i>Trustee</i>	

See notes to financial statements

**COBBLE HILL IMPROVEMENT DISTRICT**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2019**

	Budget 2019	Total 2019	Total 2018
<b>REVENUES</b>			
Water tolls	\$ 160,000	\$ 158,765	\$ 162,616
Taxes	61,750	61,719	61,779
Investment income	1,250	9,683	4,595
Other income	4,000	4,484	3,228
Connection fees	-	31,500	18,000
	<u>227,000</u>	<u>266,151</u>	<u>250,218</u>
<b>EXPENSES</b>			
Audit fees	6,000	5,500	7,000
Amortization	-	32,074	31,941
Honoraria	8,000	8,000	8,000
Laboratory fees	4,000	3,401	3,017
Insurance, licences and fees	10,800	11,057	10,645
Interest and bank charges	3,000	2,496	2,637
Legal fees	5,000	6,923	(2)
Admin contract	30,500	38,391	52,518
Office	6,250	6,501	2,664
Repairs, maintenance and supplies	42,200	5,332	39,519
Salaries and wages	53,000	48,512	51,579
Telephone	3,000	4,086	2,726
Training	1,250	275	-
Utilities	18,000	14,135	15,152
	<u>191,000</u>	<u>186,683</u>	<u>227,396</u>
<b>ANNUAL SURPLUS</b>	<u>\$ 36,000</u>	<u>\$ 79,468</u>	<u>\$ 22,822</u>

**COBBLE HILL IMPROVEMENT DISTRICT**  
**Consolidated Statement of Changes in Accumulated Surplus**  
**Year Ended December 31, 2019**

	<b>2019</b>	2018
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<b>\$ 1,944,373</b>	\$ 1,921,551
ANNUAL SURPLUS	<u>79,468</u>	<u>22,822</u>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<b><u>\$ 2,023,841</u></b>	<b><u>\$ 1,944,373</u></b>



**COBBLE HILL IMPROVEMENT DISTRICT**  
**Consolidated Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2019**

	Budget 2019	2019	2018
<b>ANNUAL SURPLUS</b>	\$ 36,000	\$ 79,468	\$ 22,822
Amortization of property, plant and equipment	-	32,074	31,941
Purchase of property, plant and equipment	-	-	(550)
Decrease in prepaid expenses	-	85	22
	-	32,159	31,413
<b>INCREASE IN NET FINANCIAL ASSETS</b>	36,000	111,627	54,235
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	-	532,396	478,161
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	\$ 36,000	\$ 644,023	\$ 532,396

See notes to financial statements

**COBBLE HILL IMPROVEMENT DISTRICT**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 79,468	\$ 22,822
Item not affecting cash:		
Amortization of property, plant and equipment	32,074	31,941
	<u>111,542</u>	<u>54,763</u>
Changes in non-cash working capital:		
Accounts receivable	(46,601)	(2,337)
Interest receivable	413	(51)
Accounts payable	35,752	(5,552)
Prepaid expenses	84	22
Goods and services tax payable	(1,826)	2,819
Wages payable	(431)	(375)
Employee deductions payable	(4,566)	-
	<u>(17,175)</u>	<u>(5,474)</u>
Cash flow from operating activities	<u>94,367</u>	<u>49,289</u>
<b>INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	-	(550)
Cash flow from (used by) investing activity	<u>-</u>	<u>(550)</u>
<b>INCREASE IN CASH FLOW</b>	<b>94,367</b>	<b>48,739</b>
Cash - beginning of year	<u>526,938</u>	<u>478,199</u>
<b>CASH - END OF YEAR</b>	<b>\$ 621,305</b>	<b>\$ 526,938</b>

See notes to financial statements

**COBBLE HILL IMPROVEMENT DISTRICT**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

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1. PURPOSE OF THE ORGANIZATION

Cobble Hill Improvement District (the "District") was incorporated by letters patent issued on April 16, 1979, and operates under Part 17 of the Local Government Act (BC). The principal activities of the District are to supply potable water for domestic use within the Cobble Hill Improvement District's boundaries.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements were prepared in accordance with Canadian public sector accounting standards (GAAP).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, 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.

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the District is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2019. At each financial reporting date, the District reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at December 31, 2019 the District has not recorded any liability for contaminated sites as no sites exist.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives (ranging from 5 to 80 years) on a straight-line basis.

The organization regularly reviews its tangible capital assets to eliminate obsolete items. Government grants are treated as a reduction of tangible capital assets cost.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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**COBBLE HILL IMPROVEMENT DISTRICT**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

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

Revenue recognition

The organization recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured
- amounts received but not earned are recorded as deferred revenue.

Financial instruments policy

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.

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**COBBLE HILL IMPROVEMENT DISTRICT**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2019**

3. PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	2018 Balance	Additions	Disposals	2019 Balance
Land	\$ 750	\$ -	\$ -	\$ 750
Distribution System	1,605,348	-	-	1,605,348
Equipment	8,626	-	-	8,626
Facilities	409,996	-	-	409,996
	<b>\$ 2,024,720</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,024,720</b>

<u>Accumulated Amortization</u>	2018 Balance	Amortization	Accumulated Amortization on Disposals	2019 Balance
Land	\$ -	\$ -	\$ -	\$ -
Distribution System	467,902	21,821	-	489,723
Equipment	7,291	1,239	-	8,530
Facilities	142,325	9,015	-	151,340
	<b>\$ 617,518</b>	<b>\$ 32,075</b>	<b>\$ -</b>	<b>\$ 649,593</b>

<u>Net book value</u>	2019	2018
Land	\$ 750	\$ 750
Distribution System	1,115,625	1,137,446
Equipment	96	1,335
Facilities	258,656	267,671
	<b>\$ 1,375,127</b>	<b>\$ 1,407,202</b>

4. FINANCIAL INSTRUMENTS

The District, as part of its operations, carries a number of financial instruments. The District's financial instruments consist of cash and term deposits, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the District is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

5. BUDGET INFORMATION

Budget figures represent the budget approved by the Board of Trustees during the year.

6. RELATED PARTY TRANSACTIONS

During the year the organization paid a resident of the district \$17,146 for administration services (2018 - \$nil).

**COBBLE HILL IMPROVEMENT DISTRICT**

**Operations**

**(Schedule 1)**

**Year Ended December 31, 2019**

	2019	2018
<b>REVENUES</b>		
Water tolls	\$ 158,765	\$ 162,616
Taxes	61,719	61,779
Investment income	2,239	1,701
Other income	4,484	3,228
	<u>227,207</u>	<u>229,324</u>
<b>EXPENSES</b>		
Audit fees	5,500	7,000
Insurance, licences and fees	11,057	10,645
Admin contract	38,391	52,518
Interest and bank charges	2,472	2,637
Office	6,501	2,664
Repairs, maintenance and supplies	5,332	39,519
Salaries and wages	48,512	51,579
Honoraria	8,000	8,000
Legal fees	6,923	(2)
Laboratory fees	3,401	3,017
Utilities	14,135	15,152
Telephone	4,086	2,726
Training	275	-
	<u>154,585</u>	<u>195,455</u>
<b>ANNUAL SURPLUS</b>	<u>72,622</u>	<u>33,869</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>166,964</u>	<u>169,096</u>
<b>TRANSFERS</b>		
Transfers between departments	<u>(36,000)</u>	<u>(36,000)</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 203,586</u>	<u>\$ 166,965</u>

See notes to financial statements

**COBBLE HILL IMPROVEMENT DISTRICT****Renewal Reserve Fund***(Schedule 2)***Year Ended December 31, 2019**

	<b>2019</b>	2018
<b>REVENUES</b>		
Investment income	\$ 4,862	\$ 1,745
<b>EXPENSES</b>		
Interest and bank charges	<u>24</u>	-
<b>ANNUAL SURPLUS</b>	<u>4,838</u>	1,745
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>257,475</u>	219,730
<b>TRANSFERS</b>		
Transfers between departments	<u>36,000</u>	36,000
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 298,313</u>	\$ 257,475

**COBBLE HILL IMPROVEMENT DISTRICT****Capital Expenditure Charge Fund****(Schedule 3)****Year Ended December 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>		
Investment income	\$ 2,581	\$ 1,149
Connection fees	<u>31,500</u>	<u>18,000</u>
	<b>34,081</b>	19,149
<b>EXPENSES</b>	<u>-</u>	<u>-</u>
<b>ANNUAL SURPLUS</b>	<u><b>34,081</b></u>	<u>19,149</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>112,732</u>	<u>93,583</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><b>\$ 146,813</b></u>	<u>\$ 112,732</u>



**COBBLE HILL IMPROVEMENT DISTRICT****Equity in Tangible Capital Assets****(Schedule 4)****Year Ended December 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EXPENSES</b>		
Amortization	<u><b>32,074</b></u>	<u>31,941</u>
<b>ANNUAL SURPLUS</b>	<u><b>(32,074)</b></u>	<u>(31,941)</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u><b>1,407,201</b></u>	<u>1,439,142</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><b>\$ 1,375,127</b></u>	<u>\$ 1,407,201</u>