

COBBLE HILL IMPROVEMENT DISTRICT
Consolidated Financial Statements
Year Ended December 31, 2020

COBBLE HILL IMPROVEMENT DISTRICT
Index to Consolidated Financial Statements
Year Ended December 31, 2020

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Accumulated Surplus	6
Consolidated Statement of Changes in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 11
Operations (<i>Schedule 1</i>)	12
Renewal Reserve Fund (<i>Schedule 2</i>)	13
Capital Expenditure Charge Fund (<i>Schedule 3</i>)	14
Equity in Tangible Capital Assets (<i>Schedule 4</i>)	15

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Cobble Hill Improvement 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 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 and 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 CPAs LLP, in accordance with Canadian public sector accounting standards.

Ms. Karen Berezcki, Administrator

Cobble Hill, BC
April 07, 2021

INDEPENDENT AUDITOR'S REPORT

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 district), which comprise the consolidated statement of financial position as at December 31, 2020, 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 district as at December 31, 2020, and the consolidated results of its operations and consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the district 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.

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 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 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.

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CHARTERED PROFESSIONAL ACCOUNTANTS LLP

Independent Auditor's Report to the Members of Cobble Hill Improvement District *(continued)*

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 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 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 district 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.

A handwritten signature in blue ink that reads 'Morine & Schindler'.

Nanaimo, British Columbia
April 7, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

COBBLE HILL IMPROVEMENT DISTRICT
Consolidated Statement of Financial Position
December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash	\$ 653,137	\$ 621,305
Accounts receivable	31,753	75,445
Interest receivable	6,584	2,573
Goods and services tax recoverable	6,174	4,197
Due from related parties	37,645	4,500
	735,293	708,020
LIABILITIES		
Accounts payable	18,432	55,329
Wages payable	2,687	1,343
Deferred income	2,825	2,825
Due to related parties	37,645	4,500
	61,589	63,997
NET FINANCIAL ASSETS	673,704	644,023
NON-FINANCIAL ASSETS		
Prepaid expenses	5,182	4,691
Tangible capital assets (Note 3)	1,344,195	1,375,127
	1,349,377	1,379,818
ACCUMULATED SURPLUS	\$ 2,023,081	\$ 2,023,841

ON BEHALF OF THE BOARD OF TRUSTEES

_____ Trustee

_____ Trustee

COBBLE HILL IMPROVEMENT DISTRICT
Consolidated Statement of Operations
Year Ended December 31, 2020

	Budget 2020	Total 2020	Total 2019
REVENUES			
Water tolls	\$ 160,000	\$ 159,893	\$ 158,765
Taxes	62,650	62,650	61,719
Investment income	1,250	8,815	9,683
Other income	4,000	4,572	4,484
Connection fees	-	-	31,500
	<u>227,900</u>	<u>235,930</u>	<u>266,151</u>
EXPENSES			
Audit fees	5,500	5,500	5,500
Amortization	-	30,932	32,074
Licenses and memberships	800	500	980
Honoraria	8,000	8,000	8,000
Laboratory fees	5,500	5,289	3,401
Insurance	11,000	10,493	10,077
Interest and bank charges	2,500	1,307	2,496
Legal fees	5,000	-	6,923
Admin contract	30,423	30,423	38,391
CEC expenditures	-	37,645	-
Office	6,900	6,001	6,501
Supplies, repairs and maintenance	39,527	29,942	5,332
Salaries and wages	53,000	51,833	48,512
Telephone	4,500	4,383	4,086
Training	1,250	1,153	275
Utilities	18,000	13,289	14,135
	<u>191,900</u>	<u>236,690</u>	<u>186,683</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 36,000</u>	<u>\$ (760)</u>	<u>\$ 79,468</u>

COBBLE HILL IMPROVEMENT DISTRICT
Consolidated Statement of Changes in Accumulated Surplus
Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 2,023,841	\$ 1,944,373
ANNUAL SURPLUS (DEFICIT)	<u>(760)</u>	<u>79,468</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 2,023,081</u>	<u>\$ 2,023,841</u>

COBBLE HILL IMPROVEMENT DISTRICT
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2020

	Budget 2020	2020	2019
ANNUAL SURPLUS (DEFICIT)	\$ 36,000	\$ (760)	\$ 79,468
Amortization of property, plant and equipment	-	30,932	32,074
Decrease (increase) in prepaid expenses	-	(491)	85
	-	30,441	32,159
INCREASE IN NET FINANCIAL ASSETS	36,000	29,681	111,627
NET FINANCIAL ASSETS - BEGINNING OF YEAR	644,023	644,023	532,396
NET FINANCIAL ASSETS - END OF YEAR	\$ 680,023	\$ 673,704	\$ 644,023

See notes to financial statements

COBBLE HILL IMPROVEMENT DISTRICT
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (760)	\$ 79,468
Item not affecting cash:		
Amortization of property, plant and equipment	<u>30,932</u>	32,074
	<u>30,172</u>	111,542
Changes in non-cash working capital:		
Accounts receivable	43,692	(46,601)
Interest receivable	(4,011)	413
Accounts payable	(36,897)	35,752
Prepaid expenses	(491)	84
Goods and services tax payable	(1,977)	(1,826)
Wages payable	1,344	(431)
Employee deductions payable	-	(4,566)
	<u>1,660</u>	(17,175)
INCREASE IN CASH FLOW	31,832	94,367
Cash - beginning of year	<u>621,305</u>	526,938
CASH - END OF YEAR	\$ 653,137	\$ 621,305

See notes to financial statements

COBBLE HILL IMPROVEMENT DISTRICT
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

1. PURPOSE OF THE DISTRICT

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 (British Columbia).

The district operates to provide potable water for domestic use within its boundaries.

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, 2020. 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, 2020 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 and are amortized over their estimated useful lives (ranging from 5 to 80 years) on a straight-line basis.

The district 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, 2020

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

Revenue recognition

The district 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.

COBBLE HILL IMPROVEMENT DISTRICT
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

3. PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	2019 Balance	Additions	Disposals	2020 Balance
Land	\$ 750	\$ -	\$ -	\$ 750
Distribution System	1,605,348	-	-	1,605,348
Equipment	8,626	-	-	8,626
Facilities	409,996	-	-	409,996
	\$ 2,024,720	\$ -	\$ -	\$ 2,024,720

<u>Accumulated Amortization</u>	2019 Balance	Amortization	Accumulated Amortization on Disposals	2020 Balance
Land	\$ -	\$ -	\$ -	\$ -
Distribution System	489,723	21,821	-	511,544
Equipment	8,530	96	-	8,626
Facilities	151,340	9,015	-	160,355
	\$ 649,593	\$ 30,932	\$ -	\$ 680,525

<u>Net book value</u>	2020	2019
Land	\$ 750	\$ 750
Distribution System	1,093,804	1,115,625
Equipment	-	96
Facilities	249,641	258,656
	\$ 1,344,195	\$ 1,375,127

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.

COBBLE HILL IMPROVEMENT DISTRICT

Operations

(Schedule 1)

Year Ended December 31, 2020

	2020	2019
REVENUES		
Water tolls	\$ 159,893	\$ 158,765
Taxes	62,650	61,719
Investment income	2,113	2,239
Other income	4,572	4,484
	<u>229,228</u>	<u>227,207</u>
EXPENSES		
Licenses and memberships	500	980
Insurance	10,493	10,077
Interest and bank charges	1,324	2,471
Office	6,001	6,501
Legal fees	-	6,923
Audit fees	5,500	5,500
Laboratory fees	5,289	3,401
Admin contract	30,423	38,391
Training	1,153	275
Supplies, repairs and maintenance	29,942	5,332
Salaries and wages	51,833	48,512
Honoraria	8,000	8,000
Utilities	13,289	14,135
Telephone	4,383	4,086
	<u>168,130</u>	<u>154,584</u>
ANNUAL SURPLUS	<u>61,098</u>	<u>72,623</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>203,587</u>	<u>166,964</u>
TRANSFERS		
Transfers	<u>(36,000)</u>	<u>(36,000)</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 228,685</u>	<u>\$ 203,587</u>

See notes to financial statements

COBBLE HILL IMPROVEMENT DISTRICT**Renewal Reserve Fund****(Schedule 2)****Year Ended December 31, 2020**

	<u>2020</u>	<u>2019</u>
REVENUES		
Investment income	\$ 4,846	\$ 4,862
EXPENSES		
Interest and bank charges	<u>(18)</u>	<u>23</u>
ANNUAL SURPLUS	<u>4,864</u>	<u>4,839</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>298,314</u>	<u>257,475</u>
TRANSFERS		
Transfers	<u>36,000</u>	<u>36,000</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 339,178</u>	<u>\$ 298,314</u>

COBBLE HILL IMPROVEMENT DISTRICT**Capital Expenditure Charge Fund****(Schedule 3)****Year Ended December 31, 2020**

	2020	2019
REVENUES		
Investment income	\$ 1,857	\$ 2,581
Connection fees	-	31,500
	<u>1,857</u>	<u>34,081</u>
EXPENSES		
CEC expenditures	<u>37,645</u>	-
ANNUAL SURPLUS	<u>(35,788)</u>	<u>34,081</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>146,813</u>	<u>112,732</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 111,025</u>	<u>\$ 146,813</u>

COBBLE HILL IMPROVEMENT DISTRICT**Equity in Tangible Capital Assets****(Schedule 4)****Year Ended December 31, 2020**

	2020	2019
REVENUES	\$ -	\$ -
EXPENSES		
Amortization	<u>30,932</u>	<u>32,074</u>
ANNUAL SURPLUS	<u>(30,932)</u>	<u>(32,074)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>1,375,127</u>	<u>1,407,201</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 1,344,195</u>	<u>\$ 1,375,127</u>