

Braithwaite Estates Improvement District
Consolidated Financial Statements
December 31, 2018

Braithwaite Estates Improvement District

Contents

For the year ended December 31, 2018

	Page
Management's Responsibility	
Independent Auditors' Report	
Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Change in Net Financial Assets.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements.....	5
Schedules	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	9
Schedule 2 - Consolidated Schedule of Fund Balances.....	10

Management's Responsibility

To the Board of Trustees of Braithwaite Estates Improvement District:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector 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 for the integrity and fairness of the consolidated 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 composed entirely of Trustees who are neither management nor employees of the District. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to both the Board and management to discuss their audit findings.

April 1, 2019



Administrator

Independent Auditor's Report

To the Board of Trustees of Braithwaite Estates Improvement District:

Opinion

We have audited the consolidated financial statements of Braithwaite Estates Improvement District (the "District"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, including related schedules, 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, 2018, and the results of its consolidated operations and its 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 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 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.

Auditor's Responsibilities for the Audit of the 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.

Nanaimo, British Columbia

April 1, 2019

MNP LLP

Chartered Professional Accountants

Braithwaite Estates Improvement District
Consolidated Statement of Financial Position

As at December 31, 2018

	2018	2017
Financial assets		
Cash	370,337	261,380
Term deposits	419,620	413,933
Accounts receivable	18,641	7,429
Interest receivable	2,452	2,452
Goods and services tax recoverable	2,944	3,175
	813,994	688,369
Financial liabilities		
Accounts payable and accrued liabilities	11,623	4,804
Wages payable	644	613
Deferred revenue	20,988	11,065
	33,255	16,482
Net financial assets	780,739	671,887
Non-financial assets		
Prepaid expenses	1,742	1,560
Tangible capital assets <i>(Schedule 1)</i>	785,344	814,469
	787,086	816,029
Accumulated surplus <i>(Schedule 2)</i>	1,567,825	1,487,916

Approved on behalf of the Board of Trustees



 Trustee



 Trustee

The accompanying notes are an integral part of these consolidated financial statements

Braithwaite Estates Improvement District
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2018

	<i>Budget 2018 (Note 5)</i>	2018	2017
Revenues			
Water tolls	135,552	143,212	130,305
Taxes	54,300	53,160	54,660
Capital expenditure charge	-	5,000	-
Other income	3,700	4,538	3,199
Investment income	-	9,111	8,312
	193,552	215,021	196,476
Expenses			
Amortization	-	29,125	26,274
Audit fees	4,500	4,600	4,500
Contractual services	21,348	24,886	20,639
Honoraria	7,000	7,000	7,000
Insurance and licenses	10,634	10,046	12,364
Laboratory fees	4,665	3,078	3,773
Legal fees	5,000	4,940	4,510
Office and miscellaneous	5,996	5,631	5,008
Repairs and maintenance	13,228	6,268	14,766
Telephone	2,965	2,889	2,863
Training	3,500	1,026	3,424
Utilities	10,449	10,557	9,499
Wages and benefits	40,376	37,066	35,996
	129,660	147,112	150,616
Annual surplus (deficit) before unusual items	63,892	67,909	45,860
Settlement of claim (Note 6)	-	12,000	-
Annual surplus	63,892	79,909	45,860
Accumulated surplus, beginning of year	1,487,916	1,487,916	1,442,056
Accumulated surplus, end of year	1,551,808	1,567,825	1,487,916

The accompanying notes are an integral part of these consolidated financial statements

Braithwaite Estates Improvement District
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2018

	<i>Budget 2018 (Note 5)</i>	2018	2017
Annual surplus (deficit)	63,892	79,909	45,860
Acquisition of tangible capital assets	-	-	-
Change in prepaid expenses	-	(182)	41
Amortization	-	29,125	26,274
Change in net financial assets	63,892	108,852	72,175
Net financial assets, beginning of year	671,887	671,887	599,712
Net financial assets, end of year	735,779	780,739	671,887

The accompanying notes are an integral part of these consolidated financial statements

Braithwaite Estates Improvement District
Consolidated Statement of Cash Flows

For the year ended December 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	79,909	45,860
Amortization	29,125	26,274
	109,034	72,134
Changes in non-cash operating balance		
Accounts receivable	(11,212)	(3,382)
Interest receivable	-	(183)
Goods and services tax recoverable	231	6,989
Accounts payable and accrued liabilities	6,819	(309)
Prepaid expenses	(182)	41
Deferred income	9,923	8,065
Wages payable	31	(1)
	5,610	11,220
Net cash provided by operating activities	114,644	83,354
Investing activities		
Increase in investments	(5,687)	(8,720)
Increase in cash resources	108,957	74,634
Cash resources, beginning of year	261,380	186,746
Cash resources, end of year	370,337	261,380
Cash consists of:		
Cash	370,337	261,380

The accompanying notes are an integral part of these consolidated financial statements

Braithwaite Estates Improvement District Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

1. Incorporation and commencement of operations

The Braithwaite Estates Improvement District (the "District") was incorporated by letters patent issued on February 5, 1976 and operates under the Local Government Act (BC). The principal activities of the District are to supply potable water for domestic use within the Braithwaite Estates Improvement District's boundaries.

2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with the recommendations of the Public Sector Accounting Board of CPA Canada. In accordance with these recommendations, the District has implemented the consolidation of all funds. The consolidated financial statements reflect the removal of internal transactions and balances.

Revenue recognition

Sale of water services are recognized on a bi-monthly basis when services have been provided. Taxes are recognized upon issuance of tax notices for the fiscal year. Investment and other income are recognized as revenue is earned on an accrual basis. Capital expenditure charge (CEC) fees are recorded as revenue when amounts are determinable, and collection is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents include cash, money market investments and short-term deposits with maturities of less than three months.

Short-term investments

Short-term investments consist of various term deposits and are valued at cost.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the District is responsible for.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in surplus (deficit) in the periods in which they become known.

Braithwaite Estates Improvement District Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

2. Significant accounting policies (continued from previous page)

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives commencing when the asset is put into use as follows:

	Rate
Building and other assets	50 to 60 years
Fire protection	50 years
Water system	25 to 60 years
Water mains	20 to 75 years

In the year of acquisition, amortization is not taken. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the District, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Trustees.

Five funds are maintained: Operating Fund, Capital Fund, Backflow Fund, Renewal Reserve Fund, and Capital Expenditure Fund.

The Operating Fund is used to account for all revenues and expenses related to general and ancillary operations of the District.

The Capital Fund is used to account for all tangible capital assets of the organization and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

The Backflow Fund, Renewal Reserve Fund, and Capital Expenditure Fund consist of funds established by the Trustees of the District, by bylaw pursuant to legislation, to be used for expenditures related to the upgrading, replacement or renewal of existing waterworks tangible capital assets. These funds, and interest earned thereon, must only be invested and disbursed by the motion passed by the Trustees of the District.

Segment information

Expenses are not disclosed by segment as there is only one function – water services.

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, 2018.

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, 2018 the District has not recorded any liability for contaminated sites as no sites exist.

Braithwaite Estates Improvement District Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

Significant accounting policies (continued from previous page)

PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions

Effective January 1, 2018, the District adopted the recommendations relating to PS 2200 *Related Party Disclosures* and PS 3420 *Inter-Entity Transactions*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

These new Sections define a related party and establish disclosures required for related party transactions. Disclosure is required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, a material financial effect on the financial statements. They also establish standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

There was no material impact on the financial statements of adopting the new Sections.

PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

Effective January 1, 2018, the District adopted the recommendations relating to PS 3210 *Assets*, PS 3320 *Contingent Assets*, and PS 3380 *Contractual Rights*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated.

PS 3210 *Assets* provides additional guidance to clarify the definition of assets set out in PS 1000 *Financial Statement Concepts*.

PS 3320 *Contingent Assets* establishes disclosure standards on contingent assets.

PS 3380 *Contractual Rights* establishes disclosure standards on contractual rights and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Section are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

There was no material impact on the financial statements of adopting the new Sections.

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 represents the budget adopted by the Trustees on March 22, 2018. The District budgets for operating activities and capital activities separately. The following schedule reconciles the consolidated surplus as presented in the budgets as approved by the Trustees to the consolidated surplus as shown on the consolidated statement of operations.

Annual surplus, as per Statement of Operations	63,892
Transfer to Renewal Reserve Fund	-63,765
<u>Acquisition of tangible capital assets</u>	-
<u>Budgeted surplus as approved by the Trustees</u>	<u>127</u>

Braithwaite Estates Improvement District
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

6. Settlement of claim

Subsequent to the year-end a settlement was reached for the reimbursement of expenses incurred in prior years of \$12,000.

Braithwaite Estates Improvement Distric
Consolidated Schedule of Tangible Capital Assets

For the year ended December 31, 2018

Schedule 1

	Capital				Totals	
	Water System	Water Mains	Buildings	Fire Protection	2018	2017
Cost						
Balance, beginning of year	659,000	842,200	59,000	82,500	1,642,700	1,642,700
Add:						
Acquisitions during the year	-	-	-	-	-	-
Less:						
Disposals during the year	-	-	-	-	-	-
Balance, end of year	659,000	842,200	59,000	82,500	1,642,700	1,642,700
Accumulated amortization						
Balance, beginning of year	277,671	501,172	8,040	41,348	828,231	801,957
Add:						
Amortization	4,856	18,684	1,153	4,432	29,125	26,274
Less:						
Accumulated amortization on disposals	-	-	-	-	-	-
Balance, end of year	282,527	519,856	9,193	45,780	857,356	828,231
Net book value of tangible capital assets	376,473	322,344	49,807	36,720	785,344	814,469

Braithwaite Estates Improvement District
Consolidated Schedule of Fund Balances
For the year ended December 31, 2018

Schedule 2

						Totals	
	Operating	Capital	Backflow Fund	Renewal Reserve Fund	Capital expenditure Fund	2018	2017
Balance, beginning of year	50,301	814,469	17,034	562,608	43,504	1,487,916	1,442,056
Revenue	200,910	-	17	8,691	5,403	215,021	196,476
Expenses	(117,987)	(29,125)	-	-	-	(147,112)	(150,616)
Reimbursement of expenses incurred in prior periods	12,000	-	-	-	-	12,000	-
Transfer from operating	(78,765)	-	-	78,765	-	-	-
Transfer relating to acquisition of tangible capital assets	-	-	-	-	-	-	-
Transfer of funds to operating	-	-	-	-	-	-	-
Balance, end of year	66,459	785,344	17,051	650,064	48,907	1,567,825	1,487,916