

SION IMPROVEMENT DISTRICT
Financial Statements
Year Ended December 31, 2020

SION IMPROVEMENT DISTRICT
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Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Trustees of Sion Improvement District

Report on the Financial Statements

Opinion

We have audited the financial statements of Sion Improvement District (the Improvement District), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in annual surplus (deficit), changes in net financial assets 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 Improvement District as at December 31, 2020, and the results of its operations and 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 Financial Statements* section of our report. We are independent of the Improvement District in accordance with 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 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 financial statements in accordance with PSAS, 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 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 the Improvement District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Improvement 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 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.

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Independent Auditor's Report to the Trustees of Sion Improvement District *(continued)*

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 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 the Improvement 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 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.

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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations have been applied on a basis consistent with that of the preceding year.

Grand Forks, British Columbia
April 8, 2021

KH Burch Kientz Inc.
CHARTERED PROFESSIONAL ACCOUNTANTS

SION IMPROVEMENT DISTRICT
Statement of Operations
Year Ended December 31, 2020

	Budget 2020 (Note 3)	Total 2020	Total 2019
REVENUES			
Taxes levied	\$ 187,272	\$ 187,460	\$ 182,867
Tolls levied	149,817	152,154	147,041
Services and connections	2,250	5,068	8,472
Interest and penalties	6,400	9,961	9,214
	345,739	354,643	347,594
DIRECT COSTS			
Amortization	70,000	65,691	65,101
Insurance	19,300	19,388	18,409
Power	77,000	45,812	68,191
Purchases	300	3,502	530
Repairs and maintenance	37,550	53,062	85,077
Vehicle	4,175	3,634	3,782
Water and testing costs	11,700	6,145	6,093
Water bailiff, wages and benefits	83,000	78,613	81,344
	303,025	275,847	328,527
GROSS PROFIT	42,714	78,796	19,067
ADMINISTRATIVE EXPENSES			
Interest and bank charges	1,050	1,266	1,447
Interest on long term debt	6,000	1,855	3,824
Miscellaneous	5,150	5,191	1,734
Office	3,250	3,064	2,398
Professional fees	8,000	21,355	15,991
Rental	6,300	6,368	6,240
Salaries and wages	11,000	-	-
Telephone	6,050	5,501	5,941
Trustee fees	8,500	5,375	7,250
	55,300	49,975	44,825
SURPLUS (DEFICIT) FROM OPERATIONS	(12,586)	28,821	(25,758)
OTHER INCOME			
Loss on disposal of property, plant and equipment	-	-	(230)
ANNUAL SURPLUS (DEFICIT)	\$ (12,586)	\$ 28,821	\$ (25,988)

SION IMPROVEMENT DISTRICT
Statement of Changes in Annual Surplus (Deficit)
Year Ended December 31, 2020

	2020	2019
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 1,057,835	\$ 1,083,824
ANNUAL SURPLUS (DEFICIT)	28,821	(25,988)
ACCUMULATED SURPLUS (DEFICIT) - END OF YEAR <i>(Note 5)</i>	\$ 1,086,656	\$ 1,057,836

SION IMPROVEMENT DISTRICT
Statement of Financial Position
December 31, 2020

FINANCIAL ASSETS

Cash	\$ 105,196	\$ 21,741
Accounts receivable (Note 5)	26,376	71,732
Goods and services tax recoverable	3,147	11,404
Restricted cash (Note 6)	<u>158,071</u>	<u>145,537</u>
	<u>292,790</u>	<u>250,414</u>

LIABILITIES

Accounts payable	10,927	11,264
Employee deductions payable	1,300	1,276
Prepaid taxes and tolls	10,263	9,308
Long term debt (Note 7)	<u>16,893</u>	<u>63,003</u>
	<u>39,383</u>	<u>84,851</u>

NET FINANCIAL ASSETS

<u>253,407</u>	<u>165,563</u>
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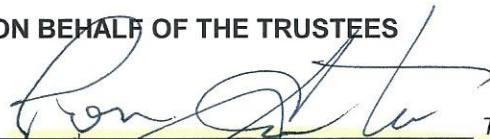
NON-FINANCIAL ASSETS


Inventory	9,898	13,103
Prepaid expenses	19,226	17,992
Tangible capital assets (Schedule 1)	<u>804,125</u>	<u>861,178</u>
	<u>833,249</u>	<u>892,273</u>

ACCUMULATED SURPLUS

<u>\$ 1,086,656</u>	<u>\$ 1,057,836</u>
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ON BEHALF OF THE TRUSTEES


 _____ Trustee


 _____ Trustee

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SION IMPROVEMENT DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2020

	Budget 2020	2020	2019
ANNUAL SURPLUS (DEFICIT)	\$ (12,586)	\$ 28,821	\$ (25,988)
Amortization of tangible capital assets	70,000	65,691	65,101
Purchase of tangible capital assets	-	(8,638)	(38,543)
Loss on disposal of assets	-	-	230
Decrease (increase) in prepaid expenses	-	(1,235)	(992)
Decrease (increase) in inventory	-	3,205	(229)
	70,000	59,023	25,567
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	57,414	87,844	(421)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	-	165,563	165,984
NET FINANCIAL ASSETS - END OF YEAR	\$ 57,414	\$ 253,407	\$ 165,563

SION IMPROVEMENT DISTRICT
Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Cash receipts from customers	\$ 400,954	\$ 390,984
Cash paid to suppliers and employees	(255,355)	(306,112)
Interest paid	(3,119)	(5,273)
Goods and services tax	8,257	(6,361)
Provincial sales tax	-	(129)
Cash flow from operating activities	<u>150,737</u>	<u>73,109</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(8,638)</u>	<u>(38,543)</u>
Cash flow used by investing activity	<u>(8,638)</u>	<u>(38,543)</u>
FINANCING ACTIVITIES		
Transfers (to) from restricted cash	(12,534)	22,489
Repayment of long term debt	(46,110)	(43,236)
Cash flow used by financing activities	<u>(58,644)</u>	<u>(20,747)</u>
INCREASE IN CASH FLOW	83,455	13,819
Cash - beginning of year	<u>21,741</u>	<u>7,922</u>
CASH - END OF YEAR	\$ 105,196	\$ 21,741
CASH CONSISTS OF:		
Cash	<u>\$ 105,196</u>	<u>\$ 21,741</u>

SION IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2020

1. PURPOSE OF THE IMPROVEMENT DISTRICT

Sion Improvement District ("the Improvement District") is an improvement district incorporated on December 6, 1963 under the Water Act of British Columbia and is subject to the provisions of the Local Government Act of British Columbia. As a public sector organization, the Irrigation District is exempt from the payment of income tax under Section 149(1)(c) of the Income Tax Act.

The objective of the Improvement District is to acquisition, maintenance, and operation of works for waterworks and irrigation purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian public sector accounting standards (PSAB) and in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant estimates include assumptions used in the useful lives of tangible capital assets and the related amortization, and accounts payables. Actual results could differ from these estimates.

Revenue recognition

- a) Revenue from irrigation taxes is recognized on an annual basis, based on the acres irrigated with tax rates established by the Board of Trustees with a bylaw.
- b) Revenue from tolls are recognized on an annual basis according to the number of connections, at rates established by the Board of Trustees with a bylaw.
- c) Amounts received from customers, funders or third parties, which may only be used for certain expenditures or relate to services, or periods not occurring yet, are recorded as deferred. Revenue is recognized in the period which the revenue relates to, the services performed or expenditures are incurred.
- d) Interest and penalties are recorded when earned.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus (deficit), provides the change in net financial assets for the year.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis. Inventory consists of pipes, clamps, fittings, couplings and service valves.

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SION IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Equipment	5 & 10 years	straight-line method
Motor vehicles	5 years	straight-line method
Water mains, south system	60 years	straight-line method
Water mains, north system	60 years	straight-line method
Other infrastructure, south	10, 20 & 80 years	straight-line method
Other infrastructure, north	5, 10, 30 & 80 years	straight-line method

Amortization commences when the asset is put into use. Amortization in the year of acquisition is at one-half of the normal rate. No amortization is taken in the year of disposition.

The Improvement District regularly reviews its tangible capital assets to eliminate obsolete items.

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

Financial instruments

Financial assets include cash and accounts receivable and are measured at amortized cost as presented on the Statement of Financial Position. Financial liabilities include accounts payable, prepaid taxes and tolls, and long term debt. They are measured at amortized cost as presented on the Statement of Financial Position.

3. BUDGET FIGURES

There are differences between the budgeting model used by the Improvement District and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB. The reconciliation of budgeted results to reported results is as follows:

	<u>2020</u>
Budgeted deficit as approved	(62,586)
Add: budgeted tangible capital asset acquisitions	<u>50,000</u>
Budgeted annual surplus as presented	<u>\$ (12,586)</u>

SION IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2020

4. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surpluses and reserves as follows:

	<u>2020</u>	<u>2019</u>
Surplus:		
Investment in tangible capital assets	\$ 787,391	\$ 798,174
Accumulated surplus	<u>141,194</u>	<u>114,125</u>
	<u>26,376</u>	<u>71,732</u>
Statutory Reserves:		
Capital works renewal reserve	<u>158,071</u>	<u>145,537</u>
	<u>\$ 1,086,656</u>	<u>\$ 1,057,836</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable represent receivables from annual tax and toll levies by the Improvement District.

During the 2007 fiscal year, the Improvement District offered two options for paying the taxes related to Well #6, the first being a one-time payment of \$1,200 and the second to pay \$120 per year through to 2021. The annual payment is included in the annual tax levy.

	<u>2020</u>	<u>2019</u>
Accounts Receivable	\$ 26,376	\$ 39,212
Well #6	<u>-</u>	<u>32,520</u>
	<u>\$ 26,376</u>	<u>\$ 71,732</u>

6. RESTRICTED CASH

The Capital Works Renewal Reserve Fund was established with bylaw 136. Funds from the sale of District land, current revenue and general revenue fund surplus may, from time to time be paid into the Reserve Fund. The Funds may only be used for upgrading, replacement or renewal of existing works with the passing of a bylaw. The District is currently contributing \$1,000 per month to this Fund.

	<u>2020</u>	<u>2019</u>
Grand Forks Credit Union, savings	<u>\$ 158,071</u>	<u>\$ 145,537</u>

SION IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2020

7. LONG TERM DEBT

	<u>2020</u>	<u>2019</u>
Grand Forks Credit Union loan bearing interest at 4.5% compounded monthly, repayable in weekly blended payments of \$905. The loan matures on June 28, 2021 and is secured by by the toll collecting and taxing powers of the Improvement District.	<u>\$ 16,893</u>	<u>\$ 63,003</u>
	<u>\$ 16,893</u>	<u>\$ 63,003</u>

Principal repayment terms are approximately:

2021	<u>\$ 16,893</u>
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SION IMPROVEMENT DISTRICT
Schedule of Tangible Capital Assets
Year Ended December 31, 2020

(Schedule 1)

	Land	Equipment	Motor vehicles	Water mains, south system	Water mains, north system	Other infrastructure, south	Other infrastructure, north	Total
COSTS								
Opening balances	\$ 1,430	\$ 11,358	\$ 28,350	\$ 1,019,935	\$ 305,726	\$ 992,179	\$ 364,556	\$ 2,723,534
Additions	-	-	-	-	-	-	8,638	8,638
Dispositions	-	-	-	-	-	-	-	-
Sub Total	1,430	11,358	28,350	1,019,935	305,726	992,179	373,194	2,732,172
ACCUMULATED AMORTIZATION								
Opening balance	-	5,698	28,350	801,786	224,929	631,340	170,253	1,862,356
Dispositions	-	-	-	-	-	-	-	-
Amortization	-	1,646	-	16,999	5,096	34,136	7,814	65,691
Sub Total	-	7,344	28,350	818,785	230,025	665,476	178,067	1,928,047
	\$ 1,430	\$ 4,014	\$ -	\$ 201,150	\$ 75,701	\$ 326,703	\$ 195,127	\$ 804,125

See notes to financial statements