

BEAVER FALLS WATERWORKS DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2017

Management's Responsibility for Financial Reporting

Management is composed entirely of the Board of Trustees who is elected by the Members of the Beaver Falls Waterworks District. Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgements 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 judgement is required.

In discharging its responsibilities for 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 the financial statements.

The Board of Trustees is responsible for overseeing the financial reporting responsibilities and for approving the financial information and discussing relevant matters with the external auditors. The Board of Trustees is also responsible for recommending the appointment of the District's external auditors.

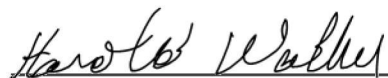
Grant Thornton LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Trustees to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to meet with the Board of Trustees to discuss their audit findings.



Trustee

April 12, 2018

Date



Trustee

April 12, 2018

Date



Independent Auditor's Report

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To the Members of
Beaver Falls Waterworks District

We have audited the accompanying financial statements of Beaver Falls Waterworks District, which comprise the statement of financial position as at December 31, 2017 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Beaver Falls Waterworks District as at December 31, 2017 and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Castlegar, Canada
April 12, 2018

Grant Thornton LLP
Chartered Professional Accountants

BEAVER FALLS WATERWORKS DISTRICT

Statement of Financial Position

As at December 31

	2017	2016
Financial Assets		
Cash	\$ 221,929	\$ 162,073
Short-term investments	33,762	33,394
Accounts receivable	11,833	19,186
Restricted assets - reserve funds (Note 2)	102,448	91,369
	<u>369,972</u>	<u>306,022</u>
Financial Liabilities		
Accounts payable	10,391	11,082
Unearned revenue	1,000	-
	<u>11,391</u>	<u>11,082</u>
Net Financial Assets	<u>358,581</u>	<u>294,940</u>
Non-Financial Assets		
Prepaid expenses	8,637	9,097
Inventory of supplies	6,907	6,907
Tangible capital assets (Note 3)	150,035	155,536
	<u>165,579</u>	<u>171,540</u>
Accumulated Surplus (Schedule)	<u>\$ 524,160</u>	<u>\$ 466,480</u>
Represented By:		
Unrestricted operating fund	\$ 271,676	\$ 219,574
Internally restricted capital expenditure fund	12,092	11,085
Internally restricted renewal reserve fund	90,356	80,284
Equity in tangible capital assets	150,035	155,536
	<u>\$ 524,159</u>	<u>\$ 466,479</u>

Commitments (Note 4)

Approved by the Trustees:


Trustee


Trustee

BEAVER FALLS WATERWORKS DISTRICT

Statement of Changes in Net Financial Assets

For the Year Ended December 31

	2017	2017	2016
	Budget (unaudited)	Actual	
Annual surplus	\$ 43,894	\$ 57,680	\$ 25,133
Changes in tangible capital assets			
Acquisition of tangible capital assets	(32,000)	(3,945)	(9,080)
Amortization of tangible capital assets	9,000	9,446	9,001
	(23,000)	5,501	(79)
Changes in other non-financial assets			
Acquisition of prepaid expenses	-	(8,637)	(9,097)
Use of prepaid expenses	-	9,097	9,347
	-	460	250
Changes in net financial assets	20,894	63,641	25,304
Net financial assets, beginning of year	294,939	294,939	269,635
Net financial assets, end of year	\$ 315,833	\$ 358,580	\$ 294,939

BEAVER FALLS WATERWORKS DISTRICT

Statement of Operations and Accumulated Surplus

For the Year Ended December 31

	2017 Budget (unaudited)	2017 Actual	2016
Revenues			
Water tolls	\$ 84,631	\$ 83,817	\$ 80,699
Water taxes	47,207	47,244	45,392
Interest and penalties	3,589	3,154	3,436
Maintenance contract	1,813	1,815	1,783
Capital expenditure charge - subdivision fees	-	1,000	-
Interest - unrestricted	60	840	1,163
Connection fees	-	475	150
Interest - restricted	750	79	35
	<u>138,050</u>	<u>138,424</u>	<u>132,658</u>
Operating Expenses			
Engineering and water study	3,000	-	-
Insurance	8,600	9,837	8,562
Licences and permits	900	987	564
Repairs and maintenance	19,350	11,187	39,008
Utilities	9,100	8,941	7,526
Vehicle	1,725	870	1,261
Water operator contract	9,345	10,964	11,751
	<u>52,020</u>	<u>42,786</u>	<u>68,672</u>
	<u>86,030</u>	<u>95,638</u>	<u>63,986</u>
Administrative Expenses			
Administrative contract	14,017	10,192	10,933
Amortization	9,000	9,446	9,001
Bank charges and interest	160	97	138
Education	600	-	200
Honoraria	2,144	1,715	2,042
Office	4,200	2,718	1,676
Professional fees	9,500	9,100	9,300
Rent	3,015	3,000	3,000
Telephone	1,500	1,240	1,309
Travel	1,000	450	1,254
	<u>45,136</u>	<u>37,958</u>	<u>38,853</u>
Annual surplus	40,894	57,680	25,133
Accumulated surplus, beginning of year	<u>466,479</u>	<u>466,479</u>	<u>441,346</u>
Accumulated surplus, end of year	<u>\$ 507,373</u>	<u>\$ 524,159</u>	<u>\$ 466,479</u>

BEAVER FALLS WATERWORKS DISTRICT

Statement of Cash Flows

For the Year Ended December 31

	2017	2016
Cash Flows Provided By (Used In) Operating Activities		
Cash received from users	\$ 145,858	\$ 129,409
Cash paid to suppliers	(71,529)	(106,659)
Cash received from unrestricted interest	840	1,163
Cash received from internally restricted interest	79	35
	<u>75,248</u>	<u>23,948</u>
Cash Flows Provided By (Used In) Investing Activities		
Purchase of tangible capital assets	(3,945)	(9,080)
Purchase of short-term investments	(368)	(1,078)
	<u>(4,313)</u>	<u>(10,158)</u>
Increase in cash	70,935	13,790
Cash, beginning of year	<u>253,442</u>	<u>239,652</u>
Cash, end of year	<u>\$ 324,377</u>	<u>\$ 253,442</u>
Represented by:		
Cash	\$ 221,929	\$ 162,073
Restricted assets - reserve funds	<u>102,448</u>	<u>91,369</u>
	<u>\$ 324,377</u>	<u>\$ 253,442</u>

BEAVER FALLS WATERWORKS DISTRICT

Notes to Financial Statements

December 31, 2017

Nature of Operations

The Beaver Falls Waterworks District was formed as an Improvement District on October 1, 1959. The objectives of the District are the acquisition, maintenance and operation of the waterworks and all incidental matters thereto for the land within the District. Under the Income Tax Act of Canada, the District qualifies as a not-for-profit organization and is exempt from income tax.

1. Summary of Significant Accounting Policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Funds are segregated for the purpose of carrying on specific activities or attaining specific objectives. The following funds are currently in use:

Unrestricted operating fund - this fund is used to report the operating activities of the District, including general operations and the water utilities.

Internally restricted reserve funds - these funds have been established to hold funds for specific future requirements. The use of these funds is at the discretion of the Board of Trustees and consists of a capital expenditure fund and renewal reserve fund.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions which affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, accrued liabilities included in accounts payable, the valuation of inventory of supplies and the estimated useful lives of tangible capital assets. Actual results may differ from these estimated amounts.

Short-term investments

Short-term investments include term deposits in Kootenay Savings Credit Union and are recorded at cost.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Inventory of supplies

Inventory of supplies consists of materials and supplies for use and consumption. Inventory of supplies is measured at the lower of cost and net replacement value. Cost has been determined using the specific identification method.

BEAVER FALLS WATERWORKS DISTRICT

Notes to Financial Statements

December 31, 2017

Tangible capital assets Tangible capital assets are recorded at cost. Amortization is calculated on the straight-line basis over the following periods:

Computer equipment	3 years
Tools and equipment	5 years
Waterworks system	25 years
Vehicle	10 years

The provision for amortization is reduced by one-half in the year of acquisition and no amortization is recorded in the year of disposition.

Revenue recognition Taxes and toll revenues are recognized on an accrual basis and are recognized in the period to which they relate provided that collection is reasonably assured. Connection fees and subdivision revenues are recognized when services are rendered provided that collection is reasonably assured. All other revenue is recognized when collection is reasonably assured.

Expense recognition Operating and administrative expenses are recognized on an accrual basis in the period in which they are incurred.

Donated goods and services The District benefits from donated goods and services in the form of volunteer time and donated goods. Donated materials and services that relate to tangible capital assets are recognized at fair value. Any other donated goods and services are not recognized in these financial statements.

Budget data The unaudited budget data presented in these financial statements was adopted by the Board of Trustees at the Annual General Meeting on April 25, 2017.

2. Restricted Assets - Reserve Funds

Internally restricted reserve funds have been established by the Board for specific operating uses. Funds received from capital expenditure charges and interest earned on these funds are included in the Capital Expenditure Fund. These funds may only be used to increase source capacity, enlarge mains, increase storage or to otherwise in any way augment the capacity of the works. Funds received from the sale of District land, current revenue and general revenue fund surplus may from time to time be paid into the Renewal Reserve Fund. These funds may only be used for the replacement, upgrade or renewal of existing works. The funds may be disbursed by a Bylaw of the Trustees of the District which has been given the written approval of Inspector or Deputy Inspector of Municipalities.

Internally restricted reserve funds consists of the following:

	2017	2016
KSCU Maximizer - Capital Expenditure Fund	\$ 12,092	\$ 11,085
KSCU Maximizer - Renewal Reserve Fund	<u>90,356</u>	<u>80,284</u>
	<u>\$ 102,448</u>	<u>\$ 91,369</u>

BEAVER FALLS WATERWORKS DISTRICT

Notes to Financial Statements

December 31, 2017

3. Tangible Capital Assets

As at December 31, 2017	Cost	Accumulated Amortization	Net Book Value
Land	\$ 10,000	\$ -	\$ 10,000
Computer equipment	3,262	2,487	775
Tools and equipment	5,572	3,104	2,468
Waterworks system	668,853	534,668	134,185
Vehicle	4,011	1,404	2,607
	<u>\$ 691,698</u>	<u>\$ 541,663</u>	<u>\$ 150,035</u>

As at December 31, 2016	Cost	Accumulated Amortization	Net Book Value
Land	\$ 10,000	\$ -	\$ 10,000
Computer equipment	2,332	2,272	60
Tools and equipment	4,245	2,122	2,123
Waterworks system	667,165	526,820	140,345
Vehicles	4,011	1,003	3,008
	<u>\$ 687,753</u>	<u>\$ 532,217</u>	<u>\$ 155,536</u>

Additions for the year amount to \$930 in computer equipment (2016: \$Nil), \$1,327 in tools and equipment (2016: \$Nil) and \$1,688 in waterworks system (2016: \$9,080). There were no disposals in the year. Amortization expense for the year amounted to \$9,446 (2016: \$9,001).

4. Commitments

The District leases its premises under an agreement expiring in March 2018. Minimum annual lease payments remaining under the terms of the contract are \$500.

BEAVER FALLS WATERWORKS DISTRICT

Schedule of Changes in Accumulated Surplus

For the Year Ended December 31

	Unrestricted Operating Fund	Internally Restricted Capital Expenditure Fund	Internally Restricted Renewal Reserve Fund	Equity in Tangible Capital Assets (a)	Total 2017	Total 2016
Accumulated surplus, beginning of year	\$ 219,574	\$ 11,085	\$ 80,284	\$ 155,536	\$ 466,479	\$ 441,346
Annual surplus	57,680	-	-	-	57,680	25,133
Transfer to renewal reserve fund	(10,000)	-	10,000	-	-	-
Subdivision fees - transfer	(1,000)	1,000	-	-	-	-
Restricted interest - transfer	(79)	7	72	-	-	-
Additions to tangible capital assets - transfer	(3,945)	-	-	3,945	-	-
Amortization of tangible capital assets - transfer	9,446	-	-	(9,446)	-	-
Accumulated surplus, end of year	\$ 271,676	\$ 12,092	\$ 90,356	\$ 150,035	\$ 524,159	\$ 466,479

(a) The District records amounts paid for the acquisition of tangible capital assets and principal repayments on loans incurred to acquire tangible capital assets to this account. A reduction is charged against this account for funds received to finance tangible capital asset purchases, proceeds from the sale of tangible capital assets and amortization. The net investment is classified as restricted where there are external restrictions placed upon the use and/or possible future dispositions of the tangible capital assets.