

**BEAVER FALLS WATERWORKS DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

## 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

March 31, 2020

Date



Trustee

March 31, 2020

Date

## Independent Auditor's Report

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To the Members of  
Beaver Falls Waterworks District

### Opinion

We have audited the financial statements of Beaver Falls Waterworks District ("the District"), which comprise the statement of financial position as at December 31, 2019 and the statements of operations and accumulated surplus, 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 and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Beaver Falls Waterworks District as at December 31, 2019 and the results of its operations, changes in net financial assets and 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 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 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.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters related to a 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 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.

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 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 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 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.

Castlegar, Canada  
March 31, 2020

*Grant Thornton LLP*

Chartered Professional Accountants

# BEAVER FALLS WATERWORKS DISTRICT

## Statement of Financial Position

As at December 31

	2019	2018
<b>Financial Assets</b>		
Cash and cash equivalents (Note 2)	\$ 484,541	\$ 417,671
Accounts receivable	12,109	11,315
	496,650	428,986
<b>Financial Liabilities</b>		
Accounts payable	13,327	14,103
<b>Net Financial Assets</b>	483,323	414,883
<b>Non-Financial Assets</b>		
Prepaid expenses	8,254	8,254
Inventory of supplies	8,016	6,907
Tangible capital assets (Note 3)	143,960	140,328
	160,230	155,489
<b>Accumulated Surplus (Schedule)</b>	\$ 643,553	\$ 570,372
<b>Represented By:</b>		
Unrestricted operating fund	\$ 333,363	\$ 324,810
Internally restricted capital expenditure fund	14,218	14,152
Internally restricted capital works, renewal reserve fund	152,012	91,082
Invested in tangible capital assets	143,960	140,328
	\$ 643,553	\$ 570,372

Approved by the Trustees:

  
Trustee

  
Trustee

# BEAVER FALLS WATERWORKS DISTRICT

## Statement of Changes in Net Financial Assets

For the Year Ended December 31

	2019 Budget (unaudited)	2019 Actual	2018
<b>Annual surplus</b>	\$ 49,171	\$ 73,181	\$ 46,213
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets	(15,000)	(16,700)	-
Amortization of tangible capital assets	9,000	10,862	9,707
Gain on sale of tangible capital assets	-	(1,294)	-
Proceeds on sale of tangible capital assets	-	3,500	-
	<u>(6,000)</u>	<u>(3,632)</u>	<u>9,707</u>
<b>Changes in other non-financial assets</b>			
Acquisition of prepaid expenses	-	8,254	(8,254)
Use of prepaid expenses	-	(8,254)	8,637
Acquisition of inventory	-	(1,109)	-
	<u>-</u>	<u>(1,109)</u>	<u>383</u>
<b>Changes in net financial assets</b>	43,171	68,440	56,303
<b>Net financial assets, beginning of year</b>	<u>414,883</u>	<u>414,883</u>	<u>358,580</u>
<b>Net financial assets, end of year</b>	<u>\$ 458,054</u>	<u>\$ 483,323</u>	<u>\$ 414,883</u>

# BEAVER FALLS WATERWORKS DISTRICT

## Statement of Operations and Accumulated Surplus

For the Year Ended December 31

	Budget Budget (unaudited)	2019 Actual	2018
<b>Revenues</b>			
Water tolls	\$ 91,931	\$ 91,397	\$ 85,872
Water taxes	51,055	51,094	48,662
Interest - unrestricted	1,800	3,585	2,722
Interest and penalties	3,364	2,986	2,547
Maintenance contract	-	1,852	-
Gain on sale of tangible capital assets	-	1,294	-
Interest - internally restricted	650	996	786
Connection fees	-	100	10,101
Water sales	-	-	2,372
Capital expenditure charge - subdivision fees	-	-	2,000
	<u>148,800</u>	<u>153,304</u>	<u>155,062</u>
<b>Operating Expenses</b>			
Engineering and water study	1,200	-	-
Insurance	11,000	9,138	8,866
Licences and permits	1,000	684	1,193
Repairs and maintenance	27,320	16,814	36,926
Utilities	8,500	8,676	8,606
Vehicle	1,200	1,443	1,336
Water operator contract	8,913	4,314	11,250
	<u>59,133</u>	<u>41,069</u>	<u>68,177</u>
	<u>89,667</u>	<u>112,235</u>	<u>86,885</u>
<b>Administrative Expenses</b>			
Administrative contract	13,370	9,777	10,388
Amortization	9,000	10,862	9,707
Bank charges and interest	120	111	115
Education	400	-	263
Honoraria	2,341	2,458	2,208
Office	2,865	2,691	3,386
Professional fees	10,100	9,881	9,300
Rent	-	-	3,000
Telephone	1,500	2,823	1,533
Travel	800	451	772
	<u>40,496</u>	<u>39,054</u>	<u>40,672</u>
<b>Annual surplus</b>	49,171	73,181	46,213
<b>Accumulated surplus, beginning of year</b>	<u>570,372</u>	<u>570,372</u>	<u>524,159</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 619,543</u>	<u>\$ 643,553</u>	<u>\$ 570,372</u>

# BEAVER FALLS WATERWORKS DISTRICT

## Statement of Cash Flows

For the Year Ended December 31

	2019	2018
<b>Cash Flows Provided By (Used In) Operating Activities</b>		
Cash received from users	\$ 146,635	\$ 151,072
Cash paid to suppliers and employees	(71,146)	(95,048)
Cash received from unrestricted interest	3,585	2,722
Cash received from internally restricted interest	996	786
	<u>80,070</u>	<u>59,532</u>
<b>Cash Flows Provided By (Used In) Investing Activities</b>		
Sale of short-term investments	-	33,762
Purchase of tangible capital assets	(16,700)	-
Sale of tangible capital assets	3,500	-
	<u>(13,200)</u>	<u>33,762</u>
<b>Increase in cash</b>	66,870	93,294
<b>Cash, beginning of year</b>	<u>417,671</u>	<u>324,377</u>
<b>Cash, end of year</b>	<u>\$ 484,541</u>	<u>\$ 417,671</u>



# BEAVER FALLS WATERWORKS DISTRICT

## Notes to Financial Statements

December 31, 2019

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### 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 a capital works, 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.

#### 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, 2019

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**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
Vehicles	10 years
Waterworks system	25 years

**Revenue recognition**      Tolls and taxes 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 capital expenditure charge - subdivision fees 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, 2019.

### 2. Cash and cash equivalents

Cash and cash equivalents comprise unrestricted operating accounts that consist of bank accounts and members shares and internally restricted reserve funds that consist of bank accounts. The 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 capital works, renewal reserve fund. These funds and interest earned on 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.

	2019	2018
Operating accounts	\$ 318,311	\$ 314,437
Capital expenditure fund	14,218	12,152
Capital works, renewal reserve fund	<u>152,012</u>	<u>91,082</u>
	<u>\$ 484,541</u>	<u>\$ 417,671</u>

At December 31, 2019, the Capital Expenditure Fund was fully funded (2018: \$2,000 deficit).

# BEAVER FALLS WATERWORKS DISTRICT

## Notes to Financial Statements

December 31, 2019

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### 3. Tangible Capital Assets

<b>As at December 31, 2019</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Land	\$ 10,000	\$ -	\$ 10,000
Computer equipment	3,262	3,106	156
Tools and equipment	8,666	5,527	3,139
Vehicles	13,606	1,361	12,245
Waterworks system	<u>668,853</u>	<u>550,433</u>	<u>118,420</u>
	<u>\$ 704,387</u>	<u>\$ 560,427</u>	<u>\$ 143,960</u>

<b>As at December 31, 2018</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Land	\$ 10,000	\$ -	\$ 10,000
Computer equipment	3,262	2,796	466
Tools and equipment	5,572	4,218	1,354
Vehicles	4,011	1,805	2,206
Waterworks system	<u>668,853</u>	<u>542,551</u>	<u>126,302</u>
	<u>\$ 691,698</u>	<u>\$ 551,370</u>	<u>\$ 140,328</u>

Additions for the year amount to \$13,606 in vehicles (2018: \$Nil) and \$3,094 in tools and equipment (2018: \$Nil). Disposals for the year included vehicles with a cost of \$4,011 (2018: \$Nil) and accumulated amortization of \$1,805 (2018: \$Nil). Amortization expense for the year amounted to \$10,862 (2018: \$9,707).

# 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 Capital Works, Renewal Reserve Fund	Invested in Tangible Capital Assets (a)	Total 2019	Total 2018
Accumulated surplus, beginning of year	\$ 324,810	\$ 14,152	\$ 91,082	\$ 140,328	\$ 570,372	\$ 524,159
Annual surplus	73,181	-	-	-	73,181	46,213
Bylaw #178 - transfer	(60,000)	-	60,000	-	-	-
Restricted interest - transfer	(996)	66	930	-	-	-
Additions to tangible capital assets - transfer	(16,700)	-	-	16,700	-	-
Amortization of tangible capital assets - transfer	10,862	-	-	(10,862)	-	-
Disposal of tangible capital assets - transfer	2,206	-	-	(2,206)	-	-
Accumulated surplus, end of year	<u>\$ 333,363</u>	<u>\$ 14,218</u>	<u>\$ 152,012</u>	<u>\$ 143,960</u>	<u>\$ 643,553</u>	<u>\$ 570,372</u>

(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.