

BEAVER FALLS WATERWORKS DISTRICT

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015


Management's Responsibility for Financial Reporting

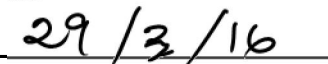
Management is composed entirely of the Board of Trustees who is elected by the Members of the Beaver Falls Waterworks District. Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgements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

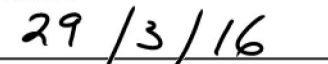
Yule Anderson, an independent firm of Chartered Professional Accountants, is appointed by the Board of Trustees to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to meet with the Board of Trustees to discuss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



Trustee


Date



Trustee


Date

March 29, 2016

Independent Auditor's Report

To the Members of
Beaver Falls Waterworks District

We have audited the accompanying consolidated financial statements of Beaver Falls Waterworks District, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of operations, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

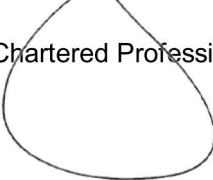
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Beaver Falls Waterworks District as at December 31, 2015 and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants



BEAVER FALLS WATERWORKS DISTRICT

Consolidated Statement of Financial Position

As at December 31

	2015	2014
Financial Assets		
Cash	\$ 205,890	\$ 184,126
Short-term investments	32,316	31,617
Accounts receivable	17,135	16,919
Restricted assets - reserve funds (Note 2)	33,762	33,754
	<u>289,103</u>	<u>266,416</u>
Financial Liabilities		
Accounts payable	19,468	11,187
	<u>19,468</u>	<u>11,187</u>
Net Financial Assets	<u>269,635</u>	<u>255,229</u>
Non-Financial Assets		
Prepaid expenses	9,347	9,097
Inventory of supplies	6,907	6,907
Tangible capital assets (Note 3)	155,457	139,365
	<u>171,711</u>	<u>155,369</u>
Accumulated Surplus (Schedule)	<u>\$ 441,346</u>	<u>\$ 410,598</u>
Represented By:		
Unrestricted operating funds	\$ 252,127	\$ 237,479
Internally restricted capital expenditure funds	11,509	11,511
Internally restricted renewal reserve fund	22,253	22,243
Equity in tangible capital assets	155,457	139,365
	<u>\$ 441,346</u>	<u>\$ 410,598</u>

Commitments (Note 4)

Approved by the Trustees:



Trustee



Trustee

BEAVER FALLS WATERWORKS DISTRICT

Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31

	2015 Budget (unaudited)	2015 Actual	2014
Annual surplus	\$ 38,500	\$ 30,748	\$ 39,766
Changes in tangible capital assets			
Acquisition of tangible capital assets	(38,000)	(24,423)	(8,611)
Amortization of tangible capital assets	8,000	8,331	7,217
	(30,000)	(16,092)	(1,394)
Changes in other non-financial assets			
Acquisition of prepaid expenses	-	(9,347)	(9,097)
Use of prepaid expenses	-	9,097	9,391
Use of inventory of supplies	-	-	11,466
	-	(250)	11,760
Changes in net financial assets	8,500	14,406	50,132
Net financial assets, beginning of year	255,229	255,229	205,097
Net financial assets, end of year	\$ 263,729	\$ 269,635	\$ 255,229

BEAVER FALLS WATERWORKS DISTRICT

Consolidated Statement of Operations

For the Year Ended December 31

	2014	2015	2014
	Budget (unaudited)	Actual	
Revenues			
Water tolls	\$ 79,611	\$ 78,584	\$ 78,689
Water taxes	45,657	44,138	44,142
Interest and penalties	2,585	3,543	3,394
Maintenance contract	1,688	1,764	1,567
Interest - unrestricted	81	1,112	760
Interest - restricted	9	15	21
Connection fees	-	-	150
Other	-	-	3,540
	<u>129,631</u>	<u>129,156</u>	<u>132,263</u>
Operating Expenses			
Insurance	11,400	8,393	10,357
Licences and permits	500	480	616
Repairs and maintenance	19,900	23,558	26,045
Utilities	6,550	8,077	6,372
Vehicle	2,000	2,122	1,690
Water operator contract	8,500	15,973	8,671
	<u>48,850</u>	<u>58,603</u>	<u>53,751</u>
	<u>80,781</u>	<u>70,553</u>	<u>78,512</u>
Administrative Expenses			
Administrative contract	12,716	11,227	10,312
Amortization	8,000	8,331	7,217
Bank charges and interest	130	157	142
Education	1,000	452	457
Honoraria	1,965	1,964	1,925
Office	3,200	2,204	2,830
Professional fees	10,650	10,000	11,047
Rent	3,020	2,765	3,015
Telephone	1,000	1,483	1,088
Travel	600	1,222	713
	<u>42,281</u>	<u>39,805</u>	<u>38,746</u>
Annual surplus	38,500	30,748	39,766
Accumulated surplus, beginning of year	<u>410,598</u>	<u>410,598</u>	<u>370,832</u>
Accumulated surplus, end of year	<u>\$ 449,098</u>	<u>\$ 441,346</u>	<u>\$ 410,598</u>

BEAVER FALLS WATERWORKS DISTRICT

Consolidated Statement of Cash Flows

For the Year Ended December 31

	2015	2014
Cash Flows Provided By (Used In) Operating Activities		
Cash received from users	\$ 127,813	\$ 134,861
Cash paid to suppliers	(82,046)	(75,296)
Cash received from unrestricted interest	1,112	760
Cash received from internally restricted interest	15	21
	<u>46,894</u>	<u>60,346</u>
Cash Flows Provided By (Used In) Investing Activities		
Purchase of tangible capital assets	(24,423)	(8,611)
Purchase of short-term investments	(699)	(311)
	<u>(25,122)</u>	<u>(8,922)</u>
Increase in cash	21,772	51,424
Cash, beginning of year	<u>217,880</u>	<u>166,456</u>
Cash, end of year	<u>\$ 239,652</u>	<u>\$ 217,880</u>
Represented by:		
Cash	\$ 205,890	\$ 184,126
Restricted assets - reserve funds	<u>33,762</u>	<u>33,754</u>
	<u>\$ 239,652</u>	<u>\$ 217,880</u>

BEAVER FALLS WATERWORKS DISTRICT

Notes to Consolidated Financial Statements

December 31, 2015

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	<p>The consolidated 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:</p> <p>Unrestricted operating funds - these funds are used to report the operating activities of the District, including general operations and the water utilities.</p> <p>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.</p> <p>The consolidated financial statements include the accounts of all of the funds of the District. Inter-fund transactions and balances have been eliminated.</p>
Use of estimates	<p>The preparation of consolidated 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 consolidated 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.</p>
Short-term investments	<p>Short-term investments include term deposits in Kootenay Savings Credit Union and are recorded at cost.</p>
Non-financial assets	<p>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.</p>
Inventory of supplies	<p>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.</p>

BEAVER FALLS WATERWORKS DISTRICT

Notes to Consolidated Financial Statements

December 31, 2015

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 revenue 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 consolidated financial statements.

Budget data The unaudited budget data presented in these consolidated financial statements was adopted by the Board of Trustees at the Annual General Meeting on April 15, 2015.

2. Restricted Assets - Reserve Funds

Internally restricted reserve funds have been established by the Board for specific operating uses. Income earned throughout the year on these funds is added to the internally restricted net asset balance. Use of the capital expenditure fund for its designated purpose is at the discretion of the Board. The funds in the renewal reserve fund can only be disbursed by a bylaw passed by the Trustees of the District after being given written approval of the Deputy Inspector of Municipalities.

Internally restricted reserve funds consists of the following:

	2015	2014
KSCU Maximizer - Capital Expenditure Fund	\$ 11,509	\$ 11,511
KSCU Maximizer - Renewal Reserve Fund	<u>22,253</u>	<u>22,243</u>
	<u>\$ 33,762</u>	<u>\$ 33,754</u>

BEAVER FALLS WATERWORKS DISTRICT

Notes to Consolidated Financial Statements

December 31, 2015

3. Tangible Capital Assets

As at December 31, 2015	Cost	Accumulated Amortization	Net Book Value
Land	\$ 10,000	\$ -	\$ 10,000
Computer equipment	2,332	2,154	178
Tools and equipment	4,245	1,273	2,972
Waterworks system	658,085	519,187	138,898
Vehicle	4,011	602	3,409
	<u>\$ 678,673</u>	<u>\$ 523,216</u>	<u>\$ 155,457</u>

As at December 31, 2014	Cost	Accumulated Amortization	Net Book Value
Land	\$ 10,000	\$ -	\$ 10,000
Computer equipment	2,332	2,036	296
Tools and equipment	4,245	424	3,821
Waterworks system	633,662	512,224	121,438
Vehicles	4,011	201	3,810
	<u>\$ 654,250</u>	<u>\$ 514,885</u>	<u>\$ 139,365</u>

Additions for the year amount to \$Nil in computer equipment (2014: \$355), \$Nil in tools and equipment (2014: \$4,245), \$24,423 in waterworks system (2014: \$Nil) and \$Nil in vehicle (2014: \$4,011). Amortization expense for the year amounted to \$8,331 (2014: \$7,217).

4. Commitments

The District leases its premises under an agreement expiring in August 2016. Minimum annual lease payments remaining under the terms of the contract are \$1,750.

5. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

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 2015	Total 2014
Accumulated surplus, beginning of year	\$ 237,479	\$ 11,511	\$ 22,243	\$ 139,365	\$ 410,598	\$ 370,832
Annual surplus	30,748	-	-	-	30,748	39,766
Transfer to operating fund	7	(7)	-	-	-	-
Restricted interest - transfer	(15)	5	10	-	-	-
Additions to tangible capital assets - transfer	(24,423)	-	-	24,423	-	-
Amortization of tangible capital assets - transfer	8,331	-	-	(8,331)	-	-
Accumulated surplus, end of year	\$ 252,127	\$ 11,509	\$ 22,253	\$ 155,457	\$ 441,346	\$ 410,598

(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.