

BEAVER FALLS WATERWORKS DISTRICT
FINANCIAL STATEMENTS

DECEMBER 31, 2024

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.

Doane 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.

Harold Waller
Trustee
17/4/25
Date

Ellen Waller
Trustee
17/4/25
Date

Independent auditor's report

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, 2024, and the statements of operations, change in net financial assets and cash flow 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 Beaver Falls Waterworks District as at December 31, 2024, and its results of operations, its changes in its financial assets, and its 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.

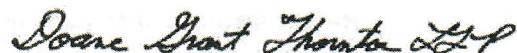
Auditor's Responsibilities for the Audit of the Financial Statements

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.



Trail, Canada
April 17, 2025

Chartered Professional Accountants

BEAVER FALLS WATERWORKS DISTRICT

Statement of Financial Position

As at December 31

| | 2024 | 2023 |
|---------------------------------------|----------------|----------------|
| Financial Assets | | |
| Cash and cash equivalents (Note 3) | \$ 585,788 | \$ 558,502 |
| Accounts receivable | <u>19,499</u> | <u>36,375</u> |
| | 605,287 | 594,877 |
| Financial Liabilities | | |
| Accounts payable | 24,144 | 18,024 |
| Asset retirement obligations | <u>4,076</u> | <u>10,206</u> |
| | 577,067 | 566,647 |
| Net Financial Assets | | |
| | 413,658 | 367,306 |
| Non-Financial Assets | | |
| Prepaid expenses | 8,459 | 8,459 |
| Inventory of supplies | 11,084 | 11,084 |
| Tangible capital assets (Note 4) | <u>394,115</u> | <u>347,763</u> |
| | 413,658 | 367,306 |
| Accumulated Surplus (Schedule) | \$ 990,725 | \$ 933,953 |

Approved by the Trustees:

Howard Wallie Trustee

Ellen Wallie Trustee

BEAVER FALLS WATERWORKS DISTRICT

Statement of Operations and Accumulated Surplus

For the Year Ended December 31

| | 2024 Budget | 2024 Actual | 2023 |
|---|-------------------|-------------------|-------------------|
| Revenues | | | |
| Water tolls | \$ 124,715 | \$ 124,450 | \$ 113,377 |
| Water taxes | 62,105 | 62,105 | 62,105 |
| Interest - unrestricted | 4,000 | 9,896 | 8,333 |
| Interest and penalties | 7,000 | 3,587 | 5,400 |
| Connection fees | 8,000 | 1,225 | 1,075 |
| Interest - internally restricted | 1,400 | 567 | 845 |
| Insurance proceeds | - | - | 55,011 |
| | 207,220 | 201,830 | 246,146 |
| Operating Expenses | | | |
| Insurance | 15,000 | 17,087 | 15,811 |
| Licences and permits | 1,000 | 1,364 | 1,114 |
| Repairs and maintenance | 31,300 | 21,756 | 10,466 |
| Sourced water | - | 5,112 | - |
| Utilities | 10,025 | 8,047 | 10,201 |
| Vehicle | 2,300 | 2,626 | 1,173 |
| Water operator contract | 25,300 | 27,713 | 22,621 |
| | 84,925 | 83,705 | 61,386 |
| | 122,295 | 118,125 | 184,760 |
| Administrative Expenses | | | |
| Administrative contract | 18,200 | 20,006 | 17,534 |
| Amortization | 20,000 | 12,980 | 15,655 |
| Asset retirement obligations accretion | - | 203 | 499 |
| Bank charges and interest | 80 | 42 | 58 |
| Education | 1,200 | 247 | 1,121 |
| Honoraria | 3,000 | 4,801 | 3,130 |
| Office | 2,300 | 3,481 | 3,238 |
| Professional fees | 15,000 | 17,085 | 16,521 |
| Telephone | 2,200 | 1,815 | 2,824 |
| Travel | 700 | 693 | 1,564 |
| | 62,680 | 61,353 | 62,144 |
| Annual surplus | 59,615 | 56,772 | 122,616 |
| Accumulated surplus, beginning of year | 933,953 | 933,953 | 811,337 |
| Accumulated surplus, end of year | \$ 993,568 | \$ 990,725 | \$ 933,953 |

BEAVER FALLS WATERWORKS DISTRICT

Statement of Changes in Net Financial Assets

For the Year Ended December 31

| | 2024 Budget | 2024 Actual | 2023 |
|---|-------------------|-------------------|-------------------|
| Annual surplus | <u>\$ 59,615</u> | <u>\$ 56,772</u> | <u>\$ 122,616</u> |
| Changes in tangible capital assets | | | |
| Acquisition of tangible capital assets | 60,000 | (61,589) | (166,161) |
| Amortization of tangible capital assets | 20,000 | 12,980 | 15,655 |
| Asset retirement obligations added to tangible capital assets | - | (1,321) | (9,707) |
| Disposal of tangible capital assets related to settled asset retirement obligations | - | 3,578 | - |
| | <u>80,000</u> | <u>(46,352)</u> | <u>(160,213)</u> |
| Changes in other non-financial assets | | | |
| Acquisition of prepaid expenses | - | (8,459) | (8,459) |
| Use of prepaid expenses | - | 8,459 | 8,459 |
| Acquisition of inventory | - | - | (3,068) |
| | <u>-</u> | <u>-</u> | <u>(3,068)</u> |
| Changes in net financial assets | <u>139,615</u> | <u>10,420</u> | <u>(40,665)</u> |
| Net financial assets, beginning of year | <u>566,647</u> | <u>566,647</u> | <u>607,312</u> |
| Net financial assets, end of year | <u>\$ 706,262</u> | <u>\$ 577,067</u> | <u>\$ 566,647</u> |

BEAVER FALLS WATERWORKS DISTRICT

Statement of Cash Flows

For the Year Ended December 31

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Cash Flows Provided By (Used In) Operating Activities | | |
| Cash received from users | \$ 208,243 | \$ 224,301 |
| Cash paid to suppliers and employees | (129,831) | (113,749) |
| Cash received from unrestricted interest | 9,896 | 8,333 |
| Cash received from internally restricted interest | 567 | 845 |
| | <u>88,875</u> | <u>119,730</u> |
| Cash Flows Provided By (Used In) Investing Activities | | |
| Purchase of tangible capital assets | (61,589) | (166,161) |
| | <u>(61,589)</u> | <u>(166,161)</u> |
| Increase (decrease) in cash | 27,286 | (46,431) |
| Cash and cash equivalents, beginning of year | 558,502 | 604,933 |
| Cash and cash equivalents, end of year | \$ 585,788 | \$ 558,502 |

BEAVER FALLS WATERWORKS DISTRICT

Notes to Financial Statements

December 31, 2024

Nature of Operations

The Beaver Falls Waterworks District ("the 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.

1. Summary of Significant Accounting Policies

| | |
|------------------------------|--|
| Basis of presentation | <p>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:</p> <p>Unrestricted operating fund - this fund is 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 a capital works, renewal reserve fund.</p> |
| Use of estimates | <p>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, assumptions used in the estimate of the asset retirement obligation, the valuation of inventory of supplies and the estimated useful lives of tangible capital assets. Actual results may differ from these estimated amounts.</p> |
| Financial instruments | <p>The District's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and asset retirement obligations which are recorded at cost/amortized cost.</p> <p>Transaction costs related to financial instruments measured at cost or amortized cost are added to the carrying value of the financial instrument.</p> <p>Financial liabilities (or part of a financial liability) are removed from the statement of financial position when, and only when, they are discharged or cancelled or expire.</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> |

BEAVER FALLS WATERWORKS DISTRICT

Notes to Financial Statements

December 31, 2024

| | |
|------------------------------------|--|
| 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. |
| 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 |
| Asset retirement obligation | An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset that the District will be required to settle. The District recognizes asset retirement obligations when there is a legal obligation to incur retirement costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. Asset retirement obligations are initially measured at the best estimate of the amount required to retire a tangible capital asset at the financial statement date. The estimate of a liability includes costs directly attributable to asset retirement activities. Asset retirement obligations are recorded as liabilities with a corresponding increase to the carrying amount of the related tangible capital asset. Subsequently, the asset retirement costs are allocated to expenses over the useful life of the tangible capital asset. The obligation is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and for revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or the discount rate. |
| 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. |

BEAVER FALLS WATERWORKS DISTRICT

Notes to Financial Statements

December 31, 2024

| | |
|-----------------------------|--|
| Government transfers | Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made. |
| Budget data | The budget data presented in these financial statements was adopted by the Board of Trustees at the Annual General Meeting on April 9, 2024. |

2. Change in Accounting Policies

Effective January 1, 2024, the District adopted new Public Sector Accounting Standards PS 3400 Revenue. This section establishes standards on how to account for and report on revenue.

The standard was applied prospectively and had no impact on the comparative figures.

3. 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.

| | 2024 | 2023 |
|-------------------------------------|---------------|---------------|
| Operating accounts | \$ 517,526 | \$ 490,807 |
| Capital expenditure fund | 15,598 | 15,504 |
| Capital works, renewal reserve fund | <u>52,664</u> | <u>52,191</u> |
| | \$ 585,788 | \$ 558,502 |

BEAVER FALLS WATERWORKS DISTRICT

Notes to Financial Statements

December 31, 2024

4. Tangible Capital Assets

| As at December 31, 2024 | Cost | Accumulated Amortization | Net Book Value |
|-------------------------|-------------------|--------------------------|-------------------|
| Land | \$ 10,000 | \$ - | \$ 10,000 |
| Computer equipment | 4,796 | 4,406 | 390 |
| Tools and equipment | 15,642 | 10,475 | 5,167 |
| Vehicles | 13,606 | 8,166 | 5,440 |
| Waterworks system | <u>946,762</u> | <u>573,644</u> | <u>373,118</u> |
| | <u>\$ 990,806</u> | <u>\$ 596,691</u> | <u>\$ 394,115</u> |

| As at December 31, 2023 | Cost | Accumulated Amortization | Net Book Value |
|-------------------------|-------------------|--------------------------|-------------------|
| Land | \$ 10,000 | \$ - | \$ 10,000 |
| Computer equipment | 4,796 | 4,073 | 723 |
| Tools and equipment | 10,893 | 9,854 | 1,039 |
| Vehicles | 13,606 | 6,805 | 6,801 |
| Waterworks system | <u>895,757</u> | <u>566,557</u> | <u>329,200</u> |
| | <u>\$ 935,052</u> | <u>\$ 587,289</u> | <u>\$ 347,763</u> |

Additions for the year amounted to \$56,840 in waterworks system (2023: \$165,162), \$Nil in computer equipment (2023: \$999) and \$4,749 in tools and equipment (2023: \$Nil). Additions of \$1,321 were included in the waterworks system as a result of the increase of the asset retirement obligations (Notes 5). There were disposals of \$7,156 in the waterworks system asset retirement obligations in the year (2023: \$Nil) and related accumulated amortization of \$3,578 (2023: \$Nil). Amortization expense for the year amounted to \$12,980 (2023: \$15,655).

BEAVER FALLS WATERWORKS DISTRICT

Notes to Financial Statements

December 31, 2024

5. Asset Retirement Obligations

The District has recognized asset retirement obligations related to the decommissioning of its wells. The recognition of the asset retirement obligations involved an accompanying increase to the wells tangible capital assets. The increase in capital assets is amortized on a straight-line basis over the remaining expected useful life of the related assets.

A reconciliation of the aggregate carrying amount of the liability is as follows:

| | 2024 | 2023 |
|--|--------------|---------------|
| Opening balance | \$ 10,206 | \$ - |
| Initial recognition of expected discounted cash flows | - | 8,492 |
| Change in estimated cash flows | 1,321 | - |
| Increase due to new liability incurred in the current period | - | 1,215 |
| Decrease due to settlement of a liability | (7,654) | - |
| Increase due to accretion | 203 | 499 |
| Closing balance | \$ 4,076 | \$ 10,206 |

The liability is estimated using a present value technique that discounts the expected future expenditures. The discount rate used was based on the Bank of Canada's December 31, 2024 interest rate for mortgage loans extended to the corporate sector of 5.25%. Total undiscounted expenditures of \$6,308 and \$6,562 are expected to be incurred in the years 2045 and 2048 respectively.

6. Financial Instruments

Credit risk exposure

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The District's exposure to credit risk is primarily related to its accounts receivable. Under the Local Government Act every assessment, tax, toll or charge fixed under bylaw forms a lien and charge on the land on which it has been imposed and, accordingly, the District does not anticipate significant loss for non-performance.

Liquidity risk exposure

Liquidity risk is the risk that a District will encounter difficulty in meeting obligations associated with financial liabilities. The District's exposure to liquidity risk arises mainly in respect of its accounts payable and asset retirement obligations. The District mitigates this risk by monitoring cash activities and expected outflows through budgeting.

All amounts included in accounts payable are due within one year.

Market risk exposure

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, price risk and foreign currency risk. The District's financial instruments are transacted in Canada and do not include publicly traded investments which results in little exposure to price risk or foreign currency risk. The District's main financial assets and liabilities are non-interest bearing which results in little exposure to interest rate risk.

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 | Total 2024 | Total 2023 |
|---|-----------------------------|--|---|-------------------------------------|------------|------------|
| Accumulated surplus, beginning of year | \$ 528,701 | \$ 15,504 | \$ 52,191 | \$ 337,557 | \$ 933,953 | \$ 811,337 |
| Annual surplus | 69,955 | - | - | (13,183) | 56,772 | 122,616 |
| Internally restricted interest - transfer | (567) | 94 | 473 | - | - | - |
| Additions to tangible capital assets - transfer | (61,589) | - | - | 61,589 | - | - |
| Settlement of asset retirement obligations and related tangible capital assets - transfer | (4,076) | - | - | 4,076 | - | - |
| Accumulated surplus, end of year | \$ 532,424 | \$ 15,598 | \$ 52,664 | \$ 390,039 | \$ 990,725 | \$ 933,953 |