

**BEAVER FALLS WATERWORKS DISTRICT**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**


## 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.

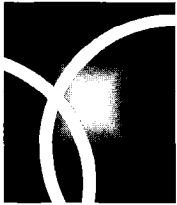
In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial 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 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.

  
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Trustee  
April 08, 2014  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Trustee  
April 8/14  
\_\_\_\_\_  
Date



**yule  
anderson**

Chartered Accountants

\*Incorporated as Yule Anderson & Company Inc.

Ron Anderson, BAS, CA  
Geoff W. Yule, BBA, CA  
Katarina Yule, B.Comm, CA  
Pam Gerrand, B.Comm, CA  
Jodi Silva, B.Comm, CA  
Alissa Bryden, B.Comm, CA

April 8, 2014

## **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, 2013 and the consolidated statements of operations, consolidated statement of changes in net financial assets and consolidated statement of 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 consolidated 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 consolidated financial position of the Beaver Falls Waterworks District as at December 31, 2013 and the results of its operations, changes in its net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

  
Chartered Accountants

# BEAVER FALLS WATERWORKS DISTRICT

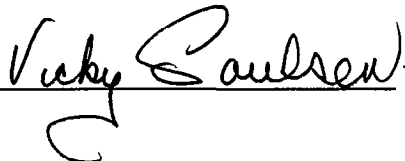
## Consolidated Statement of Financial Position


As at December 31

	2013	2012
<b>Financial Assets</b>		
Cash	\$ 121,796	\$ 18,073
Short-term investments	31,306	30,647
Accounts receivable	20,298	113,408
Restricted assets - reserve funds (Note 3)	<u>44,660</u>	<u>49,015</u>
	<u>218,060</u>	<u>211,143</u>
<b>Financial Liabilities</b>		
Accounts payable (Note 4)	<u>12,963</u>	<u>139,890</u>
<b>Net Financial Assets</b>	<u>205,097</u>	<u>71,253</u>
<b>Non-Financial Assets</b>		
Prepaid expenses	9,391	9,369
Inventory	18,373	11,749
Tangible capital assets (Note 5)	<u>137,971</u>	<u>138,962</u>
	<u>165,735</u>	<u>160,080</u>
<b>Accumulated Surplus (Schedule)</b>	<u>\$ 370,832</u>	<u>\$ 231,333</u>
<b>Represented By:</b>		
Unrestricted operating fund	\$ 188,201	\$ 43,356
Internally restricted capital expenditure fund	15,522	20,261
Internally restricted fire protection fund	22,900	22,517
Internally restricted renewal reserve fund	<u>6,238</u>	<u>6,237</u>
	<u>232,861</u>	<u>92,371</u>
Equity in tangible capital assets	<u>137,971</u>	<u>138,962</u>
	<u>\$ 370,832</u>	<u>\$ 231,333</u>

Commitments (Note 6)

Approved by the Trustees:

  
\_\_\_\_\_  
Trustee

  
\_\_\_\_\_  
Trustee

# BEAVER FALLS WATERWORKS DISTRICT

## Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31

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	2013 (Budget) (unaudited)	2013 (Actual)	2012
<b>Annual surplus</b>	\$ 6,704	\$ 139,499	\$ (29,177)
Acquisition of tangible capital assets	-	(5,400)	(9,675)
Amortization of tangible capital assets	-	<u>6,391</u>	<u>12,260</u>
	6,704	140,490	(26,592)
Acquisition of prepaid expenses	-	(9,391)	(9,369)
Use of prepaid expenses	-	9,369	9,116
Acquisition of inventory, net	-	<u>(6,624)</u>	<u>-</u>
	-	(6,646)	(253)
<b>Change in net financial assets</b>	6,704	133,844	(26,845)
<b>Net financial assets, beginning of year</b>	<u>71,253</u>	<u>71,253</u>	<u>98,098</u>
<b>Net financial assets, end of year</b>	<u>\$ 77,957</u>	<u>\$ 205,097</u>	<u>\$ 71,253</u>

# BEAVER FALLS WATERWORKS DISTRICT

## Consolidated Statement of Operations

For the Year Ended December 31

	2013 (Budget) (unaudited)	2013 (Actual)	2012
<b>Revenues</b>			
Water taxes (Note 4)	\$ 40,164	\$ 148,401	\$ -
Water tolls	69,500	70,574	69,505
Contributions	-	5,400	-
Maintenance contract	-	3,401	-
Interest and penalty income	-	2,750	35
Interest - unrestricted	-	710	697
Other revenue	-	636	-
Connection fees	-	525	-
Interest - restricted	-	19	39
Water sales	-	-	6,159
	<u>109,664</u>	<u>232,416</u>	<u>76,435</u>
<b>Operating Expenditures</b>			
Engineering and consulting	-	-	10,955
Insurance	11,000	10,223	9,967
Licences and permits	700	796	616
Repairs and maintenance	46,800	25,316	15,373
Utilities	6,000	5,738	5,802
Water operator contract	3,600	3,600	3,600
	<u>68,100</u>	<u>45,673</u>	<u>46,313</u>
	<u>41,564</u>	<u>186,743</u>	<u>30,122</u>
<b>Administrative Expenditures</b>			
Administrative contract	14,800	15,306	15,190
Amortization	-	6,391	12,260
Bad debts	-	-	15,480
Bank charges and interest	150	122	57
Education	-	380	-
Honoraria	1,400	1,305	1,750
Office	1,350	5,816	1,653
Professional fees	13,200	12,862	9,842
Rent	3,000	3,080	1,200
Telephone	960	1,029	843
Travel	-	953	1,024
	<u>34,860</u>	<u>47,244</u>	<u>59,299</u>
<b>Annual Surplus (Deficit)</b>	<u>\$ 6,704</u>	<u>\$ 139,499</u>	<u>\$ (29,177)</u>

# BEAVER FALLS WATERWORKS DISTRICT

## Consolidated Statement of Cash Flows

For the Year Ended December 31

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	2013	2012
<b>Cash Flows Provided By (Used In) Operating Activities</b>		
Cash received from users	\$ 211,177	\$ 58,871
Cash paid to suppliers	(111,879)	(91,200)
Cash received from unrestricted interest	710	697
Cash received from internally restricted interest	<u>19</u>	<u>39</u>
	<u>100,027</u>	<u>(31,593)</u>
<b>Cash Flows Provided By (Used In) Investing Activities</b>		
Purchase of tangible capital assets	<u>-</u>	<u>(9,675)</u>
<b>Increase (decrease) in cash</b>	100,027	(41,268)
<b>Cash, beginning of year</b>	<u>97,735</u>	<u>139,003</u>
<b>Cash, end of year</b>	<u>\$ 197,762</u>	<u>\$ 97,735</u>
<b>Represented by:</b>		
Cash	\$ 121,796	\$ 18,073
Short-term investments	31,306	30,647
Restricted assets - reserve funds	<u>44,660</u>	<u>49,015</u>
	<u>\$ 197,762</u>	<u>\$ 97,735</u>

# BEAVER FALLS WATERWORKS DISTRICT

## Notes to Consolidated Financial Statements

December 31, 2013

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### 1. 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 qualified as a not-for-profit organization and is exempt from income tax.

### 2. Summary of Significant Accounting Policies

#### Basis of presentation

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:

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 funds, fire protection fund and renewal reserve fund.

The consolidated financial statements include the accounts of all of the funds of the District. Inter-fund transactions and balances have been eliminated.

#### Use of estimates

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 amounts 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 allowances for accounts receivable, accrued liabilities included in accounts payable, the valuation of inventories, estimated useful lives of tangible capital assets and the fair value of contributed 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.



# BEAVER FALLS WATERWORKS DISTRICT

## Notes to Consolidated Financial Statements

December 31, 2013

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### Inventory

Inventories consist of materials and supplies for use and consumption. Inventories are measured at the lower of cost and replacement value. Cost has been determined using the specific identification method.

### Tangible capital assets

Tangible capital assets are recorded at cost. Amortization is calculated at the following annual rates:

Computer equipment	30%	Declining balance
Waterworks system	25 years	Straight-line

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 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 expenditures 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.

During the year, the Village of Montrose donated electronic monitoring equipment with a fair value at the date of contribution of \$5,400. The contributed equipment has been recorded as an addition to the waterworks system in the current year.

### 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 9, 2013.

# BEAVER FALLS WATERWORKS DISTRICT

## Notes to Consolidated Financial Statements

December 31, 2013

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### 3. Internally 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 and fire protection fund for their 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:

	2013	2012
KSCU Maximizer - Capital Expenditure Fund	\$ 15,522	\$ 20,261
KSCU Maximizer - Fire Protection Fund	22,900	22,517
KSCU Maximizer - Renewal Reserve Fund	<u>6,238</u>	<u>6,237</u>
	<u>\$ 44,660</u>	<u>\$ 49,015</u>

### 4. Comparative Figures

Deferred revenue of \$110,327 was included in the 2012 accounts payable, consisting of amounts received related to the 2009, 2011 and 2012 water taxes for which bylaws had not yet been approved. In order for the District to assess water taxes a bylaw must be passed and approved by the Inspector of Municipalities. As at December 31, 2012 these bylaws had not yet been approved by the Inspector and accordingly could not be enforced. In 2013, the District has received approval for a cumulative bylaw including the taxes for the 2009, 2011, 2012 and 2013 years and has accordingly recognized all previously deferred revenue.

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

### 5. Tangible Capital Assets

	Cost	Accumulated Amortization	Net 2013	Net 2012
Land	\$ 10,000	\$ -	\$ 10,000	\$ 10,000
Computer equipment	1,977	1,918	59	84
Waterworks system	<u>633,662</u>	<u>505,750</u>	<u>127,912</u>	<u>128,878</u>
	<u>\$ 645,639</u>	<u>\$ 507,668</u>	<u>\$ 137,971</u>	<u>\$ 138,962</u>

### 6. Lease Commitments

The District leases its premises under an agreement expiring in August 2014. Minimum annual lease payments remaining under the terms of the contract are \$1,750.

# BEAVER FALLS WATERWORKS DISTRICT

## Consolidated Schedule of Changes in Accumulated Surplus

For the Year Ended December 31

	Unrestricted Operating Fund	Internally Restricted Capital Expenditure Fund	Internally Restricted Fire Protection Fund	Internally Restricted Renewal Reserve Fund	Equity in Tangible Capital Assets (a)	Total 2013	Total 2012
<b>Accumulated surplus, beginning of year</b>	\$ 43,356	\$ 20,261	\$ 22,517	\$ 6,237	\$ 138,962	\$ 231,333	\$ 260,510
<b>Annual surplus (deficit) from operations</b>	139,499	-	-	-	-	139,499	(29,177)
<b>Transfers</b>	4,374	(4,747)	373	-	-	-	-
<b>Restricted interest - transfer</b>	(19)	8	10	1	-	-	-
<b>Additions to tangible capital assets - transfer</b>	(5,400)	-	-	-	5,400	-	-
<b>Amortization - transfer</b>	<u>6,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,391)</u>	<u>-</u>	<u>-</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 188,201</u>	<u>\$ 15,522</u>	<u>\$ 22,900</u>	<u>\$ 6,238</u>	<u>\$ 137,971</u>	<u>\$ 370,832</u>	<u>\$ 231,333</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.