

**HAGENSBORG WATERWORKS DISTRICT**

**Financial Statements**

**Year Ended December 31, 2018**

**HAGENSBORG WATERWORKS DISTRICT**  
**Index to Financial Statements**  
**Year Ended December 31, 2018**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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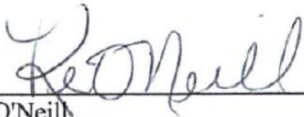
The financial statements of Hagensborg Waterworks District have been prepared in accordance with Canadian Public Sector Accounting Standards. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable and accurate financial information is produced.

The Board of Trustees are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Trustees. The Trustees review internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, Tenisci Piva LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Hagensborg Waterworks District and meet when required.

On behalf of Hagensborg Waterworks District:



Kevin O'Neill

Chair of the Board of Trustees,  
Interim Management

Hagensborg Waterworks District  
Box 25  
Hagensborg, BC  
V0T 1H0  
May 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

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To the Trustees of Hagensborg Waterworks District:

### Opinion

We have audited the financial statements of Hagensborg Waterworks District (the District), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, cash flows, changes in net financial assets, and changes in accumulated surplus 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 the District as at December 31, 2018, and the results of its operations, cash flows, changes in net financial assets, and changes in accumulated surplus 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 those 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 the 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 relating to 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 Public Sector Accounting 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:

(continues)

Independent Auditor's Report to the Trustees of Hagensborg Waterworks District *(continued)*

- 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.



Kamloops, British Columbia  
May 30, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

HAGENSBORG WATERWORKS DISTRICT

Statement of Financial Position

December 31, 2018

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash (Note 3)	\$ 929,458	\$ 814,278
Term deposit (Note 4)	384,898	377,721
Accounts receivable	833	5,248
Goods and services tax recoverable	459	1,433
Interest receivable	6,657	6,567
	<u>1,322,305</u>	<u>1,205,247</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	10,339	14,620
Employee deductions payable	1,686	-
Deferred revenue (Note 5)	3,689	17,349
	<u>15,714</u>	<u>31,969</u>
<b>NET FINANCIAL ASSETS</b>	<u>1,306,591</u>	<u>1,173,278</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	10,033	6,691
Tangible capital assets (Note 6)	421,123	430,568
	<u>431,156</u>	<u>437,259</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 1,737,747</u>	<u>\$ 1,610,537</u>
<b>CONTINGENT LIABILITY</b> (Note 7)		
<b>SUBSEQUENT EVENT</b> (Note 11)		

Approved by the Board of Trustees

 Trustee

 Trustee

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT

Statement of Operations

For the Year Ended December 31, 2018

	Budget 2018	Actual 2018	Actual 2017
<b>REVENUES</b>			
Statement of Waterworks Operations - Revenues <i>(Schedule 1)</i>	\$ 93,065	\$ 79,952	\$ 100,387
Statement of Fire Protection Operations - Revenues <i>(Schedule 2)</i>	115,589	127,449	130,144
Statement of Water Treatment System Operations - Revenues <i>(Schedule 3)</i>	27,724	38,432	87,227
	<u>236,378</u>	<u>245,833</u>	<u>317,758</u>
<b>EXPENSES</b>			
Statement of Waterworks Operations - Expenses <i>(Schedule 1)</i>	64,181	56,678	63,582
Statement of Fire Protection Operations - Expenses <i>(Schedule 2)</i>	68,791	53,532	64,941
Statement of Water Treatment System Operations - Expenses <i>(Schedule 3)</i>	707	8,413	9,840
	<u>133,679</u>	<u>118,623</u>	<u>138,363</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 102,699</u>	<u>\$ 127,210</u>	<u>\$ 179,395</u>

See notes to financial statements

**HAGENSBORG WATERWORKS DISTRICT****Statement of Cash Flows****Year Ended December 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 127,210	\$ 179,395
Items not affecting cash:		
Amortization of tangible capital assets	17,685	19,083
Loss on disposal of tangible capital assets	-	13
	<u>144,895</u>	<u>198,491</u>
Changes in non-cash working capital:		
Accounts receivable	4,416	2,623
Interest receivable	(90)	(123)
Accounts payable and accrued liabilities	(4,282)	1,375
Deferred revenue	(13,660)	(1,133)
Prepaid expenses	(3,342)	2,398
Goods and services tax payable	974	315
Employee deductions payable	1,686	-
	<u>(14,298)</u>	<u>5,455</u>
Cash flows from operating activities	<u>130,597</u>	<u>203,946</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of tangible capital assets	(8,240)	(1,145)
Increase in term deposit	(7,177)	(7,063)
Cash flows used by investing activities	<u>(15,417)</u>	<u>(8,208)</u>
<b>INCREASE IN CASH FLOW</b>	<b>115,180</b>	<b>195,738</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>814,278</b>	<b>618,540</b>
<b>CASH - END OF YEAR</b>	<b>\$ 929,458</b>	<b>\$ 814,278</b>

See notes to financial statements



**HAGENSBORG WATERWORKS DISTRICT**  
**Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2018**

	2018	2017
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 127,210</b>	<b>\$ 179,395</b>
Acquisition of tangible capital assets	(8,240)	(1,145)
Loss on disposal of tangible capital assets	-	13
Amortization of tangible capital assets	17,685	19,083
Change in prepaid expenses	(3,342)	2,398
Increase in net financial assets	133,313	199,744
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>1,173,278</b>	<b>973,534</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 1,306,591</b>	<b>\$ 1,173,278</b>

See notes to financial statements

**HAGENSBORG WATERWORKS DISTRICT**  
**Statement of Changes in Accumulated Surplus**  
**Year Ended December 31, 2018**

	(Unrestricted) Operating Surplus <i>(Note 8)</i>	(Restricted) Waterworks Capital Development Reserve	(Restricted) Waterworks Water Act Compliance Reserve	(Restricted) Fire Protection Reserve	(Restricted) Contingency Reserve	Invested in Tangible Capital Assets <i>(Note 9)</i>	Total 2018	Total 2017
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	\$ 61,890	\$ 38,225	\$ 570,284	\$ 501,883	\$ 7,687	\$ 430,568	<b>\$ 1,610,537</b>	\$ 1,431,142
Excess (deficiency) of revenues over expenses	133,844	96	3,144	7,799	12	(17,685)	<b>127,210</b>	179,395
Acquisition of tangible capital assets	(8,240)	-	-	-	-	8,240	-	-
Inter-fund transfers	(98,363)	23,479	24,842	43,358	6,684	-	-	-
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 89,131</b>	<b>\$ 61,800</b>	<b>\$ 598,270</b>	<b>\$ 553,040</b>	<b>\$ 14,383</b>	<b>\$ 421,123</b>	<b>\$ 1,737,747</b>	<b>\$ 1,610,537</b>

See notes to financial statements

**HAGENSBORG WATERWORKS DISTRICT**

**Statement of Waterworks Operations**

*(Schedule 1)*

**Year Ended December 31, 2018**

	Budget 2018	Actual 2018	Actual 2017
<b>REVENUES</b>			
Water tolls	\$ 71,665	\$ <b>68,166</b>	\$ 53,651
Parcel tax			
Operations	19,700	<b>11,546</b>	40,640
Capital development and compliance	1,700	-	2,880
Interest	-	<b>240</b>	239
Recovery of administration costs	-	-	2,677
Miscellaneous	-	-	300
	<u>93,065</u>	<u><b>79,952</b></u>	<u>100,387</u>
<b>EXPENSES</b>			
Administration	17,013	<b>9,881</b>	16,050
Advertising and website	650	<b>1,058</b>	872
Amortization	-	<b>7,964</b>	8,052
Bad debts	-	<b>1,841</b>	-
Bank charges and interest	200	<b>345</b>	181
Bookkeeping	15,320	-	17,334
Honoraria	3,750	<b>3,750</b>	3,750
Insurance, licences and permits	5,308	<b>12,410</b>	5,270
Loss on disposal of tangible capital assets <i>(Note 10)</i>	-	-	13
Memberships	765	-	236
Office and sundry	900	<b>648</b>	833
Professional fees	7,250	<b>14,588</b>	5,750
Repairs and maintenance	9,150	<b>1,558</b>	2,258
Telephone	1,300	<b>1,736</b>	1,123
Training, travel and meetings	1,400	<b>18</b>	681
Utilities and internet	1,175	<b>881</b>	1,179
	<u>64,181</u>	<u><b>56,678</b></u>	<u>63,582</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 28,884</u>	<u>\$ <b>23,274</b></u>	<u>\$ 36,805</u>

See notes to financial statements

**HAGENSBORG WATERWORKS DISTRICT**

**Statement of Fire Protection Operations**

*(Schedule 2)*

**Year Ended December 31, 2018**

	Budget 2018	Actual 2018	Actual 2017
<b>REVENUES</b>			
Provincial assessment	\$ 98,240	\$ 98,240	\$ 103,551
Capital development - tax exempt properties	17,349	17,349	18,482
Interest	-	11,860	7,794
Miscellaneous	-	-	317
	<u>115,589</u>	<u>127,449</u>	<u>130,144</u>
<b>EXPENSES</b>			
Administration	17,313	9,881	16,306
Advertising and website	650	1,261	872
Amortization	-	1,768	1,194
Bad debts	-	-	96
Bank charges and interest	200	-	182
Bookkeeping	9,750	-	13,194
Fire truck - fuel and oil	350	375	260
Fire truck - inspections	2,300	-	3,116
Fire truck - insurance	860	-	851
Honoraria	1,500	1,580	1,720
Insurance, licences and permits	7,958	11,927	6,588
Office and sundry	525	648	577
Professional fees	7,250	14,588	5,750
Repairs and maintenance	9,400	3,378	4,842
Telephone	4,360	5,174	4,453
Training, travel and meetings	2,600	18	1,012
Utilities and internet	3,775	2,934	3,928
	<u>68,791</u>	<u>53,532</u>	<u>64,941</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 46,798</u>	<u>\$ 73,917</u>	<u>\$ 65,203</u>

See notes to financial statements

**HAGENSBORG WATERWORKS DISTRICT**  
**Statement of Water Treatment System Operations**  
**Year Ended December 31, 2018**

*(Schedule 3)*

	Budget 2018	Actual 2018	Actual 2017
<b>REVENUES</b>			
Water tolls	\$ 16,810	\$ 16,169	\$ 12,623
Parcel tax			
Operations	10,047	22,203	65,660
Capital development and compliance	867	-	6,030
Interest	-	60	2,914
	<u>27,724</u>	<u>38,432</u>	<u>87,227</u>
<b>EXPENSES</b>			
Amortization	-	7,953	9,840
Insurance, licenses and permits	707	-	-
Bad debts	-	460	-
	<u>707</u>	<u>8,413</u>	<u>9,840</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 27,017</u>	<u>\$ 30,019</u>	<u>\$ 77,387</u>

See notes to financial statements

# HAGENSBORG WATERWORKS DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2018

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The notes to the financial statements are an integral part of the statements. They explain the significant accounting policies and principles underlying these statements. They also provide relevant supplementary information and explanations which cannot be conveniently expressed in the statements.

### 1. PURPOSE OF THE DISTRICT

Hagensborg Waterworks District (the "District") operates under the provisions of the Local Government Act and the Community Charter of British Columbia. It is responsible for maintaining and running the water system and the fire protection system in the Hagensborg area. The District has been in operations since receiving its Letters Patent on April 28, 1964. The District is exempt from paying income taxes.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are the responsibility of and prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS") of the Chartered Professional Accountants of Canada. The preparation of these financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future period and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

#### (a) Cash

Cash consists of cash on hand adjusted for outstanding cheques and deposits with a maturity of less than three months at the time of purchase. When outstanding cheques are in excess of cash on hand, the excess is reported in bank indebtedness.

The District maintains restricted cash accounts for the purpose of future tangible capital asset expenditures as approved by the Board of Trustees. The balances are established through the approved operating budget and the capital budget of existing assets.

#### (b) Term deposit

The term deposit is recorded at cost. Interest is accrued.

#### (c) Interest

The District follows the practice of investing individually significant unspent funds within individual funds. Interest earned is allocated on the basis of actual earnings from the specific instruments.

When a reserve fund has been established by bylaw, or by resolution, interest earned from those funds will be added to the applicable reserve funds.

All restricted funds will be invested in interest bearing accounts, in accordance with the Community Charter 183. Other than those funds set aside and reserved, interest earned from unrestricted funds will be directed to operational expenses.

*(continues)*

# HAGENSBORG WATERWORKS DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (d) Tangible capital assets

Tangible capital assets are stated at cost in their respective Invested in Tangible Capital Asset Funds, which includes all amounts that are directly attributable to the acquisition, construction, development, or betterment of the asset. The cost, less residual value of the tangible capital assets, are amortized on a declining balance basis over their estimated useful lives as follows:

##### **Fire Protection**

Buildings	2.5%
Fire protection equipment	20%
Fire truck	15%

##### **Waterworks**

Generators	20%
Computers	50%
Office equipment	20%
Pipeline system	2%
Snootli Creek dam	2%
Storage building	2.5%
Waterworks equipment	20%

##### **Waterworks - Compliance**

Water purification system	20%
Well and upgrade water system	2%

The District regularly reviews its tangible capital assets to eliminate obsolete items.

#### (e) Contributed services

The operations of the District depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

#### (f) Goods and services tax

Purchased materials and services are recoverable at 100% as a rebate.

#### (g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, collectability of accounts receivable and estimating provisions for accrued liabilities. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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# HAGENSBORG WATERWORKS DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2018

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (h) Fund accounting

The District follows the restricted fund method of accounting for contributions. The unrestricted and restricted funds are as follows:

#### **UNRESTRICTED**

- The Waterworks Operating Surplus fund reports for the District's assets, liabilities, revenues and expenses related to water works operations.
- The Fire Protection Operating Surplus fund reports for the District's assets, liabilities, revenues and expenses related to fire protection operations.
- The Water Treatment System Operating Surplus fund reports for the District's assets, liabilities, revenues and expenses related water treatment system operations (compliance).

#### **RESTRICTED**

- The Waterworks Capital Development Reserve fund reports for the District's assets, liabilities, revenues and expenses. These funds are to be used only for approved tangible capital asset expenditures.
- The Waterworks Water Act Compliance Reserve fund reports for the District's assets, liabilities, revenues and expenses. This fund is to be used for future tangible capital asset expenditures and approved maintenance expenses.
- The Contingency Reserve fund reports for the District's assets, liabilities, revenues and expenses. This fund is to be used for emergency purposes and for unanticipated expenses exceeding the budget.
- The Fire Protection Reserve fund reports for the District's assets, liabilities, revenues and expenses. This fund is to be used for future tangible capital asset expenditures and approved maintenance expenses.
- The Waterworks Invested in Tangible Capital Asset fund reports for the District's assets, liabilities, revenues and expenses related to tangible capital assets.
- The Fire Protection Invested in Tangible Capital Asset fund reports for the District's assets, liabilities, revenues and expenses related to tangible capital assets.

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# HAGENSBORG WATERWORKS DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2018

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (i) Revenue recognition

The District's financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of good or service and/or the creation of a legal obligation to pay.

The District recognizes revenue for tolls, taxes, fire protection, connection fees and subdivision fees in accordance with its bylaws (as approved by the Ministry of Community Development) as follows:

- a) Water tolls are recognized upon delivery of the annual invoices based on the levies as set out in the Water Delivery Service Fees (Tolls) and Charges Bylaw.
- b) Parcel taxes are assessed in the middle of each year based on the classification of each parcel within the District according to the Parcel Taxation Bylaw and are recognized upon delivery of the annual invoices.
- c) Fire protection charges are recognized upon delivery of the annual invoices to tax exempt properties based on the levies as set out in the Fire Protection Charge Bylaw. The provincial assessment on taxable properties is recognized upon receipt from the Provincial Assessor and Collector as set out in the Fire Protection Taxation Bylaw.
- d) Connection fees are recognized when the District has completed connecting the District's water line to a private parcel.
- e) Subdivision fees are recognized when the District approves each subdivision plan. Developers are required to pay subdivision fees before subdivision takes place.

Unrestricted grants and revenues are recorded as revenue when received or receivable, if the amounts can be estimated and collected is reasonably assured.

Restricted grants and revenues are reported as revenue depending on the nature of the restrictions on the funds by the contributors as follows:

- a) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset are recorded as deferred designated revenue and are recognized in revenue at the rate that amortization for the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- b) Restricted contributions related to general operations are recognized as revenue in the (Unrestricted) Operating Surplus funds for Waterworks, Fire Protection and Water Treatment System in the year in which the related expenses are incurred.
- c) All other restricted contributions are recognized as revenue of the appropriate restricted fund.

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2018

3. CASH

	<u>2018</u>	<u>2017</u>
<b>UNRESTRICTED</b>		
Business investment savings account	\$ 80,626	\$ 67,157
Business chequing account	4,850	5,344
Member share account	1,000	1,000
Undeposited funds	386	418
	<u>86,862</u>	<u>73,919</u>
<b>RESTRICTED</b>		
Business investment savings account - restricted for capital expenditures and maintenance expenses required by the Drinking Water Protection Act (Waterworks Water Act Compliance Reserve)	598,270	570,284
Business investment savings account - restricted for capital expenditures for the Fire Protection Reserve	168,143	124,163
Business investment savings account - restricted for capital expenditures for the Waterworks Capital Development Reserve	61,800	38,225
Business investment savings account - restricted for emergency purposes and for unanticipated expenses exceeding the budget for the Contingency Reserve	14,383	7,687
	<u>842,596</u>	<u>740,359</u>
	<u>\$ 929,458</u>	<u>\$ 814,278</u>

4. TERM DEPOSIT

	<u>2018</u>	<u>2017</u>
<b>RESTRICTED</b>		
Williams Lake and District Credit Union, 1.89%, maturing on January 30, 2024 - restricted for capital expenditures for the Fire Protection Reserve	\$ 384,898	\$ 377,721

5. DEFERRED REVENUE

Deferred revenue for fire protection represents tax exempt properties revenue received in the current year that relates to the subsequent year. The District did not invoice the rate payers for 2019 tax exempt properties. The deferred revenue for 2018 represents prepayments on tolls and taxes made by the rate payers.

**HAGENSBORG WATERWORKS DISTRICT**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

**6. TANGIBLE CAPITAL ASSETS**

<u>Cost</u>	2017		2018	
	Balance	Additions	Disposals	Balance
<b>Fire Protection</b>				
Land	\$ 3,684	\$ -	\$ -	\$ 3,684
Buildings	65,506	-	-	65,506
Fire protection equipment	11,724	8,240	-	19,964
Fire truck	83,462	-	-	83,462
	<u>164,376</u>	<u>8,240</u>	<u>-</u>	<u>172,616</u>
<b>Waterworks</b>				
Generators	7,166	-	-	7,166
Computers	2,148	-	-	2,148
Office equipment	1,613	-	-	1,613
Pipeline system	604,832	-	-	604,832
Snootli Creek dam	27,420	-	-	27,420
Storage building	48,947	-	-	48,947
Waterworks equipment	17,479	-	-	17,479
	<u>709,605</u>	<u>-</u>	<u>-</u>	<u>709,605</u>
<b>Waterworks - Compliance</b>				
Water purification system	98,673	-	-	98,673
Well and upgrade water system	23,410	-	-	23,410
	<u>122,083</u>	<u>-</u>	<u>-</u>	<u>122,083</u>
	<u>\$ 996,064</u>	<u>\$ 8,240</u>	<u>\$ -</u>	<u>\$ 1,004,304</u>

*(continues)*

**HAGENSBORG WATERWORKS DISTRICT**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

**6. TANGIBLE CAPITAL ASSETS (continued)**

<u>Accumulated amortization</u>	2017 Balance	Amortization	Accumulated Amortization on Disposals	<b>2018 Balance</b>
<b>Fire Protection</b>				
Land	\$ -	\$ -	\$ -	\$ -
Buildings	30,522	700	-	<b>31,222</b>
Fire protection equipment	11,129	943	-	<b>12,072</b>
Fire truck	82,625	125	-	<b>82,750</b>
	<u>124,276</u>	<u>1,768</u>	<u>-</u>	<u><b>126,044</b></u>
<b>Waterworks</b>				
Generators	5,702	293	-	<b>5,995</b>
Computers	1,159	495	-	<b>1,654</b>
Office equipment	385	246	-	<b>631</b>
Pipeline system	331,113	5,474	-	<b>336,587</b>
Snootli Creek dam	13,131	285	-	<b>13,416</b>
Storage building	10,854	952	-	<b>11,806</b>
Waterworks equipment	16,386	219	-	<b>16,605</b>
	<u>378,730</u>	<u>7,964</u>	<u>-</u>	<u><b>386,694</b></u>
<b>Waterworks - Compliance</b>				
Water purification system	61,113	7,512	-	<b>68,625</b>
Well and upgrade water system	1,377	441	-	<b>1,818</b>
	<u>62,490</u>	<u>7,953</u>	<u>-</u>	<u><b>70,443</b></u>
	<u>\$ 565,496</u>	<u>\$ 17,685</u>	<u>\$ -</u>	<u><b>\$ 583,181</b></u>

<u>Net book value</u>	<u>2018</u>	<u>2017</u>
<b>Fire Protection</b>		
Land	\$ 3,684	\$ 3,684
Buildings	34,284	34,984
Fire protection equipment	7,892	595
Fire truck	712	837
	<u>46,572</u>	<u>40,100</u>
<b>Waterworks</b>		
Generators	1,171	1,464
Computers	494	989
Office equipment	982	1,228
Pipeline system	268,245	273,719
Snootli Creek dam	14,004	14,289
Storage building	37,141	38,093
Waterworks equipment	874	1,093
	<u>322,911</u>	<u>330,875</u>
<b>Waterworks - Compliance</b>		
Water purification system	30,048	37,560
Well and upgrade water system	21,592	22,033
	<u>51,640</u>	<u>59,593</u>
	<u>\$ 421,123</u>	<u>\$ 430,568</u>

**HAGENSBORG WATERWORKS DISTRICT**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

**7. CONTINGENT LIABILITY**

The District is under a water boil advisory (this has been in effect since 1993). In order to remove this advisory the District will need to make improvements to its water system. Cost associated with these improvements were not determinable as at December 31, 2018.

**8. (UNRESTRICTED) OPERATING SURPLUS**

	(Unrestricted) Waterworks Operating Surplus	(Unrestricted) Fire Protection Operating Surplus	(Unrestricted) Water Treatment System Operating Surplus	(Unrestricted) Operating Surplus
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	\$ 40,527	\$ 15,487	\$ 5,876	\$ 61,890
Excess of revenues over expenses	31,885	63,988	37,971	133,844
Acquisition of tangible capital assets	-	(8,240)	-	(8,240)
Inter-fund transfers	(26,688)	(46,797)	(24,878)	(98,363)
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ 45,724	\$ 24,438	\$ 18,969	\$ 89,131

**9. INVESTED IN TANGIBLE CAPITAL ASSETS**

	Waterworks Invested in Tangible Capital Assets	Waterworks Invested in Tangible Capital Assets - Compliance	Fire Protection Invested in Tangible Capital Assets	Invested in Tangible Capital Assets
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	\$ 330,873	\$ 59,592	\$ 40,103	\$ 430,568
Deficiency of revenues over expenses	(7,964)	(7,953)	(1,768)	(17,685)
Acquisition of tangible capital assets	-	-	8,240	8,240
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ 322,909	\$ 51,639	\$ 46,575	\$ 421,123

# HAGENSBORG WATERWORKS DISTRICT

## Notes to Financial Statements

Year Ended December 31, 2018

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### 10. BUDGET FIGURES

The budget figures are adopted and approved by the Board of Trustees in October of each year. The financial plan is prepared on a cash basis for revenue and expenses.

Budget figures have not been audited, and are presented for comparative and information purposes only.

In accordance with PSAS, budget figures are presented on the same basis of accounting as the actual and comparative figures. Cash inflows and outflows contemplated in the budget include such things as capital expenditures. These items are not recognized as revenues or expenses in the statement of operations as they do not meet the definition of such under PSAS.

Legislation does not require the funding of non-cash items such as amortization expense and gains or losses on disposals of capital, thus there is no legislative requirement to include these items in the financial plan. As such, amortization expense and gains or losses on disposals of capital were not contemplated on development of the approved 2018 budget. However, amortization expense and a loss on disposal of tangible capital assets was recognized in the statement of operations in actual figures under PSAS.

### 11. SUBSEQUENT EVENT

#### **Water Systems Improvement - Grant Application**

During the year, the District applied for replacement of the water mains and associated infrastructure and establishment of a water treatment facility. The status of the application will become known subsequent to the date of this report. As a condition of the grant, the District would be converted to a local service area under the Central Coast Regional District.

### 12. FINANCIAL INSTRUMENTS

The District is exposed to various risks through its financial instruments. The following analysis provides information about the District's risk exposure and concentration as of December 31, 2018.

#### **(a) Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The District is exposed to credit risk from customers. In order to reduce its credit risk, the District reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The balance of the allowance for doubtful accounts as of December 31, 2018 was \$nil (2017 - \$nil). The District has a significant number of customers which minimizes concentration of credit risk.

Unless otherwise noted, it is management's opinion that the District is not exposed to significant other price risks arising from these financial instruments.