

HAGENSBORG WATERWORKS
DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2008

HAGENSBORG WATERWORKS DISTRICT
FINANCIAL STATEMENT PACKAGE
YEAR ENDED DECEMBER 31, 2008

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HAGENSBORG WATERWORKS DISTRICT

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Hagensborg Waterworks District and all the information in this annual report are the responsibility of management and have been approved by the Board of Trustees.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The District's management maintains systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the District's assets are appropriately accounted for and adequately safeguarded.

The District's Board of Trustees is responsible for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

PMT Chartered Accountants, the auditors appointed by the Board of Trustees, have reviewed the systems of internal control and examined the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express an independent opinion on the financial statements. Their report accompanies these statements.

The District's Board of Trustees reviews and approves the financial statements. The District's management meets periodically with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities. They review the financial statements and the external auditor's report, as well as the engagement of the external auditors.

Rick Ratcliff
Chairman of the Board of Trustees

Rosemary Smart
Administrator for the District



Partners:

Williams Lake

• BRIAN P. PURDY, CA, CFP
• BEN W. TOKAREK, CA, TEP
• J. ROGER SOLLY, B COMM, CA
• MELISSA L. PAYNE, ACIA, CA

• JAY S. CHEEK, CA
• D. KANE FRASER, CA

Associate:

• ANDREW M. SMITH, CA

100 Mile House

• KEITH L. GREENHALGH, CA
• D. KANE FRASER, CA

• Denotes Corporation Partner/Associate

AUDITORS' REPORT

To The Board of Trustees
Hagensborg Waterworks District

We have audited the statement of financial position of Hagensborg Waterworks District as at December 31, 2008, and the statements of changes in net assets, waterworks operations, fire department operations and cash flows for the year then ended. Our examination was made in accordance with Canadian generally accepted auditing standards, and accordingly includes such tests and other procedures as we considered necessary in these circumstances. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2008, and the results of its operations and changes in its financial position for the year ended are in accordance with Canadian generally accepted accounting principles.

Williams Lake, BC
April 29, 2009

PMT CHARTERED ACCOUNTANTS

Statement of Financial Position - December 31, 2008

	2008	2007
ASSETS		
Current		
Cash	\$ 337,259	\$ 319,467
Accounts receivable - Note 4	10,950	15,052
Prepaid expenses - waterworks	6,088	5,516
- fire department	<u>183</u>	<u>681</u>
	354,480	340,716
Capital assets - Note 5	<u>906,304</u>	<u>871,398</u>
	<u>\$ 1,260,784</u>	<u>\$ 1,212,114</u>

LIABILITIES		
Current		
Accounts payable and accrued liabilities - waterworks	\$ 8,988	\$ 4,344
Deferred revenue	<u>-</u>	<u>8,267</u>
	<u>8,988</u>	<u>12,611</u>
Commitments - Note 6		

NET ASSETS		
Invested in capital assets	883,304	871,398
Restricted reserves - Note 7	223,794	204,994
Unrestricted	<u>144,698</u>	<u>123,111</u>
	<u>1,251,796</u>	<u>1,199,503</u>
	<u>\$ 1,260,784</u>	<u>\$ 1,212,114</u>

APPROVED BY THE TRUSTEES

_____ Trustee

_____ Trustee

**Statement of Changes in Net Assets
For The Year Ended December 31, 2008**

	<u>Restricted - Note 7</u>				<u>Net</u>	
	<u>Unrestricted</u>	<u>Investment in Capital Assets</u>	<u>Renewal Reserve</u>	<u>Capital Development Reserve</u>	<u>2008</u>	<u>2007</u>
Balance, beginning of year, as previously stated	\$ 131,378	\$ 871,398	\$ 182,563	\$ 22,431	\$ 1,207,770	\$ 1,159,574
Prior period adjustment - Note 9	(8,267)	-	-	-	(8,267)	(7,400)
Balance, beginning of year as re-stated	123,111	871,398	182,563	22,431	1,199,503	1,152,174
Excess of revenue over expenditures	<u>52,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,293</u>	<u>47,329</u>
	175,404	871,398	182,563	22,431	1,251,796	1,199,503
Budget appropriation	(18,800)	-	18,800	-	-	-
Transfer to purchase assets	(11,906)	11,906	-	-	-	-
Balance, end of year	<u>\$ 144,698</u>	<u>\$ 883,304</u>	<u>\$ 201,363</u>	<u>\$ 22,431</u>	<u>\$ 1,251,796</u>	<u>\$ 1,199,503</u>

The accompanying Notes are an integral part of this statement.

*Statement of Waterworks Operations
For The Year Ended December 31, 2008*

	2008		2007	
	Budget	Actual	Budget	Actual
Revenue				
Watertolls and penalties	\$ 36,500	\$ 35,950	\$ 35,500	\$ 36,403
Parcel tax and penalties	19,000	18,600	18,000	18,975
Hook up fees	-	290	-	280
Department of Fisheries	-	794	-	1,747
Miscellaneous and grant revenue	2,000	4,028	2,000	3,008
Interest	-	11,922	-	10,856
	<u>57,500</u>	<u>71,584</u>	<u>55,500</u>	<u>71,269</u>
Expenditures				
Advertising	300	305	300	124
Bank charges	250	247	250	228
Bookkeeping	11,000	9,608	11,000	9,655
Expansion and upgrade	-	242	-	-
Insurance, licences and permits	10,000	7,881	10,000	6,618
Memberships	-	550	-	-
Office supplies	200	30	200	20
Postage	350	352	300	314
Professional fees	5,000	6,731	3,000	7,178
Repairs and maintenance	20,000	9,306	20,000	11,556
Telephone	1,500	1,227	1,500	847
Training	3,000	-	-	2,463
Trustees' honouraria	750	600	750	760
	<u>52,350</u>	<u>37,079</u>	<u>47,300</u>	<u>39,763</u>
Excess of revenue over expenditures	<u>\$ 5,150</u>	<u>\$ 34,505</u>	<u>\$ 8,200</u>	<u>\$ 31,506</u>

The accompanying Notes are an integral part of this statement.

**Statement of Fire Department Operations
For The Year Ended December 31, 2008**

	2008		2007	
	Budget	Actual	Budget	Actual
Revenue				
Provincial assessment	\$ 25,000	\$ 25,000	\$ 25,000	\$ 21,700
Tax exempt properties	<u>8,200</u>	<u>8,267</u>	<u>8,200</u>	<u>7,400</u>
	<u>33,200</u>	<u>33,267</u>	<u>33,200</u>	<u>29,100</u>
Expenditures				
Firemen's honouraria	1,000	960	1,000	1,380
Fire fighting equipment	2,500	-	2,500	-
Freight	-	24	-	-
Insurance and licences	1,600	1,994	1,600	1,124
Inspection fees	1,000	-	1,000	245
Repairs and maintenance - building	2,500	1,191	2,500	1,587
- equipment	1,700	1,754	1,700	1,176
Telephone	4,000	4,759	4,000	4,492
Training allowance	2,500	200	2,500	-
Truck fuel	750	284	750	162
Utilities	2,000	4,313	2,000	3,060
Workers' compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>51</u>
	<u>19,550</u>	<u>15,479</u>	<u>19,550</u>	<u>13,277</u>
Excess of revenue over expenditures	<u>\$ 13,650</u>	<u>\$ 17,788</u>	<u>\$ 13,650</u>	<u>\$ 15,823</u>

The accompanying Notes are an integral part of this statement.

**Statement of Cash Flows
For The Year Ended December 31, 2008**

	2008	2007
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 52,293	\$ 47,329
Changes in non-cash working capital items:		
Accounts receivable	4,101	2,022
Prepaid expenses	(74)	(357)
Accounts payable and accrued liabilities	4,645	3,023
Deferred revenue	(8,267)	867
	<u>405</u>	<u>5,555</u>
	52,698	52,884
Cash flows from investing activity		
Purchase of capital assets	(34,906)	-
Increase during the year	17,792	52,884
Cash, beginning of year	<u>319,467</u>	<u>266,583</u>
Cash, end of year	<u>\$ 337,259</u>	<u>\$ 319,467</u>
Supplementary information:		
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -

The accompanying Notes are an integral part of this statement.

**Notes To The Financial Statements
For The Year Ended December 31, 2008**

1. Purpose

The District is responsible for maintaining and running the water system and the fire protection system in the Hagensborg area.

2. Significant accounting policies**a) Fund accounting**

The District follows the Restricted Fund method of accounting for contributions.

The General Unrestricted Fund reports assets, liabilities, revenues and expenditures related to water works operations and fire protection operations.

The Investment in Capital Asset Fund reports the assets and liabilities related to capital assets.

The Renewal Reserve reports assets, liabilities, revenues and expenditures. These funds are to be used only for approved maintenance expenditures.

The Capital Development Reserve reports assets, liabilities, revenues and expenditures. These funds are to be used only for approved capital asset expenditures.

b) Revenue recognition

Revenue is recorded on an accrual basis. Revenue is recognised when earned or when a commitment to receipt has been established.

c) Capital assets

Capital assets are recorded at cost in the Investment in Capital Asset Fund. Contributed capital assets are recorded at fair value at the date of contribution. The District is not required to provide for amortization of capital assets, but does set up reserves to cover replacement costs. Effective January 1, 2009, the District will be required to amortize their capital assets.

d) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Significant areas requiring use of management estimates relate to valuation of inventory and the collectibility of accounts receivable. Actual results could differ from those estimates.

e) Contributed services

Volunteers contribute many hours per year to assist the District in carrying out its operations. Because of the difficulty of determining their fair market value, contributed services are not recognized in these financial statements.

**Notes To The Financial Statements
For The Year Ended December 31, 2008**

2. Significant accounting policies (continued)

f) New accounting pronouncements issued but not yet effective

The following new CICA-PSAB guidelines have been issued and become effective for municipal governments as of January 1, 2009, with comparative figures for 2008:

PSAB 3150 "Tangible Capital Assets" Guidance in this section of the recommendation provides for accounting, measurement, valuation, amortization, write-downs, disposals, transition, presentation disclosures.

This requires development of new policies, identifying existing assets and acquisitions, and a detailed inventory listing with valuations and amortization. The reporting and presentation of capital assets in the financial statements will change, in accordance with PS 1200, bringing financial statements in line with a full accrual basis of accounting and a new statement of changes in net debt will be included.

The District is currently in the process of identifying and inventorying the existing assets in order to be able to do evaluations.

This change will have a significant effect on the District's financial statements.

3. Financial instruments

a) Fair value

Assets and liabilities designated as available-for-sale include cash, term deposits, and accrued interest are measured in the statement of financial position at fair value. The fair value for accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to the relatively short-term to maturity of these instruments.

b) Interest rate risk

It is management's opinion that the District is not subject to significant interest rate risk associated with its financial instruments.

c) Credit risk

It is management's opinion that the District is not subject to significant credit risk associated with its financial instruments.

4. Accounts receivable

	<u>2008</u>	<u>2007</u>
Water tolls and parcel taxes	\$ 5,031	\$ 3,164
Accrued interest receivable	2,097	3,393
Tax exempt property	1,941	3,506
GST refund - waterworks	1,069	3,768
- fire department	<u>812</u>	<u>1,221</u>
	<u>\$ 10,950</u>	<u>\$ 15,052</u>

*Notes To The Financial Statements
For The Year Ended December 31, 2008*

5. Capital assets, at cost

	<u>2008</u>	<u>2007</u>
Fire Protection:		
Building	\$ 53,651	\$ 30,651
Fire truck	83,462	83,462
Fire and water equipment	54,323	42,417
Property	<u>3,684</u>	<u>3,684</u>
	<u>195,120</u>	<u>160,214</u>
Waterworks:		
Office equipment	970	970
Pipeline system	682,794	682,794
Snootli Creek Dam	<u>27,420</u>	<u>27,420</u>
	<u>711,184</u>	<u>711,184</u>
	<u>\$ 906,304</u>	<u>\$ 871,398</u>

6. Commitments

- a) The District is under a water boil advisory. 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, 2008.

On January 7, 2009 the District committed to a contract with David Nairn & Associates for \$23,236, to provide the District with a plan to move towards compliance with the Drinking Water Protection Act of BC by installing a purification system.

- b) During the course of the year, the District may be a defendant in a lawsuit. The District reviews any claims or potential claims made against it on a yearly basis to determine if they would be covered by insurance, and if not, whether a claim that would not be successfully defended would have a material effect on the financial statements.

The management of the District is not aware of any claims or potential claims that if not successfully defended would have a material effect on the financial statements. If a claim was paid as a result of the outcome of litigation it would be treated as an expenditure.

7. Restricted reserves

The Capital Development Reserve and corresponding restricted cash can only be released if the expenses are capital in nature, a Bylaw is passed by the Board of Trustees, and the Bylaw is approved by the Ministry of Municipal Affairs.

The Renewal Reserve is set up based on the annual budget set by the Board of Trustees. The reserve and corresponding restricted cash can only be released if the Board approves an expenditure Bylaw, and this Bylaw is approved by the Ministry of Municipal affairs.

	<u>2008</u>	<u>2007</u>
Capital Development Reserve	\$ -	\$ -
Renewal Reserve	-	-
Renewal Reserve for waterworks	139,463	134,313
Renewal Reserve for fire protection	61,900	48,250
Capital Development Reserve for waterworks	<u>22,431</u>	<u>22,431</u>
	<u>\$ 223,794</u>	<u>\$ 204,994</u>

**Notes To The Financial Statements
For The Year Ended December 31, 2008**

8. Related party transactions

The District has entered into the following related party transactions during the year:

- a) During the year, the District paid \$6,129 (2007 - \$5,221) to Matthews Contracting, a business owned by one of the Board of Trustees, for maintenance costs. As of December 31, 2008, included in accounts payable is \$649 owing to Matthews Contracting for the maintenance contract.
- b) In December 2008, the District purchased two generators one of which was for Matthews Contracting, for \$3,056. Included in accounts receivable is \$3,056 owing from Matthews Contracting for the generator. The receivable is being collected in monthly payments equal to the maintenance contract payments made by the District to Matthews Contracting.

9. Prior period adjustment

Tax exempt properties income for the fire department operations is typically invoiced in the fall for the subsequent year. The 2008 tax exempt properties income was included in error in 2007 revenue rather than as 2007 deferred income. As well, the 2007 tax exempt properties income was included in error in 2006 revenue rather than as 2006 deferred income. This resulted in the 2007 deferred income being understated by \$8,267 (2006 - \$7,400) and the ending unrestricted net assets being overstated by \$8,267 (2006 - \$7,400). The deferred revenue amount for 2007 has been adjusted and the opening balance of the unrestricted net assets has be re-stated to record this timing difference.

10. Comparative figures

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