

HAGENSBORG WATERWORKS DISTRICT

Financial Statements

Year Ended December 31, 2019

HAGENSBORG WATERWORKS DISTRICT
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Year Ended December 31, 2019

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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:

Diane Skelly,
Acting Chief Administrative Officer, Trustee

Mr. John Morton,
Financial Oversight,
Trustee

Hagensborg Waterworks District
Box 25
Hagensborg, BC
V0T 1H0
May 10, 2020

INDEPENDENT AUDITOR'S REPORT

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, 2019, 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, 2019, 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 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 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 related 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 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:

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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 10, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

HAGENSBORG WATERWORKS DISTRICT

Statement of Financial Position

December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash (Note 3)	\$ 1,015,539	\$ 929,458
Term deposit (Note 4)	392,171	384,898
Accounts receivable	4,295	833
Goods and services tax recoverable	1,867	459
Interest receivable	9,869	6,657
	<u>1,423,741</u>	<u>1,322,305</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	21,895	10,339
Employee deductions payable	-	1,686
Deferred revenue (Note 5)	18,764	3,689
	<u>40,659</u>	<u>15,714</u>
NET FINANCIAL ASSETS	<u>1,383,082</u>	<u>1,306,591</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	9,950	10,033
Tangible capital assets (Note 6)	410,278	421,123
	<u>420,228</u>	<u>431,156</u>
ACCUMULATED SURPLUS	<u>\$ 1,803,310</u>	<u>\$ 1,737,747</u>
CONTINGENT LIABILITY (Note 7)		
SUBSEQUENT EVENTS (Note 12)		

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, 2019

	Budget 2019	Actual 2019	Actual 2018 <i>(Note 11)</i>
REVENUES			
Statement of Waterworks Operations - Revenues <i>(Schedule 1)</i>	\$ 96,290	\$ 105,584	\$ 83,923
Statement of Fire Protection Operations - Revenues <i>(Schedule 2)</i>	105,600	100,928	123,478
Statement of Water Treatment System Operations - Revenues <i>(Schedule 3)</i>	16,810	16,116	38,432
	<u>218,700</u>	<u>222,628</u>	<u>245,833</u>
EXPENSES			
Statement of Waterworks Operations - Expenses <i>(Schedule 1)</i>	49,168	74,168	56,678
Statement of Fire Protection Operations - Expenses <i>(Schedule 2)</i>	59,278	76,455	53,532
Statement of Water Treatment System Operations - Expenses <i>(Schedule 3)</i>	-	6,442	8,413
	<u>108,446</u>	<u>157,065</u>	<u>118,623</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 110,254</u>	<u>\$ 65,563</u>	<u>\$ 127,210</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT**Statement of Cash Flows****Year Ended December 31, 2019**

	2019	2018
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 65,563	\$ 127,210
Item not affecting cash:		
Amortization of tangible capital assets	16,866	17,685
	<u>82,429</u>	<u>144,895</u>
Changes in non-cash working capital:		
Accounts receivable	(6,674)	4,416
Interest receivable	-	(90)
Accounts payable and accrued liabilities	11,556	(4,282)
Deferred revenue	15,075	(13,660)
Prepaid expenses	83	(3,342)
Goods and services tax payable	(1,408)	974
Employee deductions payable	(1,686)	1,686
	<u>16,946</u>	<u>(14,298)</u>
Cash flows from operating activities	<u>99,375</u>	<u>130,597</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(6,021)	(8,240)
Increase in term deposit	(7,273)	(7,177)
Cash flows used by investing activities	<u>(13,294)</u>	<u>(15,417)</u>
INCREASE IN CASH FLOWS	86,081	115,180
CASH - BEGINNING OF YEAR	<u>929,458</u>	<u>814,278</u>
CASH - END OF YEAR	<u>\$ 1,015,539</u>	<u>\$ 929,458</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2019

	2019	2018
EXCESS OF REVENUES OVER EXPENSES	\$ 65,563	\$ 127,210
Acquisition of tangible capital assets	(6,021)	(8,240)
Amortization of tangible capital assets	16,866	17,685
Change in prepaid expenses	83	(3,342)
Increase in net financial assets	76,491	133,313
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,306,591	1,173,278
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,383,082	\$ 1,306,591

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT
Statement of Changes in Accumulated Surplus
Year Ended December 31, 2019

	(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 2019	Total 2018
ACCUMULATED SURPLUS, BEGINNING OF YEAR	\$ 89,131	\$ 61,800	\$ 598,270	\$ 553,040	\$ 14,383	\$ 421,123	\$ 1,737,747	\$ 1,610,537
Excess (deficiency) of revenues over expenses	71,277	139	2,991	7,966	56	(16,866)	65,563	127,210
Acquisition of tangible capital assets	(6,021)	-	-	-	-	6,021	-	-
Inter-fund transfers	(88,418)	23,479	16,159	43,358	5,422	-	-	-
ACCUMULATED SURPLUS, END OF YEAR	\$ 65,969	\$ 85,418	\$ 617,420	\$ 604,364	\$ 19,861	\$ 410,278	\$ 1,803,310	\$ 1,737,747

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT

Statement of Waterworks Operations

(Schedule 1)

Year Ended December 31, 2019

	Budget 2019	Actual 2019	Actual 2018 <i>(Note 11)</i>
REVENUES			
Water tolls	\$ 71,665	\$ 68,464	\$ 68,166
Parcel tax			
Operations	24,625	26,801	11,546
Interest	-	10,319	4,211
	<u>96,290</u>	<u>105,584</u>	<u>83,923</u>
EXPENSES			
Administration	9,000	7,247	9,881
Advertising and website	650	1,647	1,058
Amortization	-	7,451	7,964
Bad debts	-	-	1,841
Bank charges and interest	200	733	345
Bookkeeping	9,750	5,970	-
Honoraria	3,750	3,200	3,750
Insurance, licences and permits	6,143	8,242	12,410
Office and sundry	1,400	2,455	648
Professional fees	5,750	26,405	14,588
Repairs and maintenance	8,650	8,194	1,558
Telephone	1,300	1,669	1,736
Training, travel and meetings	1,400	-	18
Utilities and internet	1,175	955	881
	<u>49,168</u>	<u>74,168</u>	<u>56,678</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 47,122</u>	<u>\$ 31,416</u>	<u>\$ 27,245</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT

Statement of Fire Protection Operations

(Schedule 2)

Year Ended December 31, 2019

	Budget 2019	Actual 2019	Actual 2018 <i>(Note 11)</i>
REVENUES			
Provincial assessment	\$ 89,750	\$ 89,750	\$ 98,240
Capital development - tax exempt properties	15,850	-	17,349
Interest	-	11,178	7,889
	<u>105,600</u>	<u>100,928</u>	<u>123,478</u>
EXPENSES			
Administration	9,000	7,195	9,881
Advertising and website	650	2,577	1,261
Amortization	-	2,973	1,768
Bank charges and interest	200	157	-
Bookkeeping	9,750	5,970	-
Fire truck - fuel and oil	350	335	375
Fire truck - inspections	2,300	-	-
Fire truck - insurance	660	-	-
Honoraria	1,500	2,740	1,580
Insurance, licences and permits	8,258	8,251	11,927
Office and sundry	1,025	2,798	648
Professional fees	5,750	26,405	14,588
Repairs and maintenance	8,900	8,693	3,378
Telephone	4,360	3,714	5,174
Training, travel and meetings	2,600	-	18
Utilities and internet	3,975	4,647	2,934
	<u>59,278</u>	<u>76,455</u>	<u>53,532</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 46,322</u>	<u>\$ 24,473</u>	<u>\$ 69,946</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT
Statement of Water Treatment System Operations
Year Ended December 31, 2019

(Schedule 3)

	Budget 2019	Actual 2019	Actual 2018 <i>(Note 11)</i>
REVENUES			
Water tolls	\$ 16,810	\$ 16,098	\$ 16,169
Parcel tax			
Operations	-	-	22,203
Interest	-	18	60
	16,810	16,116	38,432
EXPENSES			
Amortization	-	6,442	7,953
Bad debt	-	-	460
	-	6,442	8,413
EXCESS OF REVENUES OVER EXPENSES	\$ 16,810	\$ 9,674	\$ 30,019

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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.

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HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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 Public Sector Accounting Standards 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. The District is exposed to measurement uncertainty in determining the useful life of tangible capital assets.

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HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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.

(continues)

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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, 2019

3. CASH

	<u>2019</u>	<u>2018</u>
UNRESTRICTED		
Business investment savings account	\$ 36,095	\$ 80,626
Business chequing account	43,549	4,850
Member share account	1,000	1,000
Undeposited funds	-	386
	<u>80,644</u>	<u>86,862</u>
RESTRICTED		
Business investment savings account - restricted for capital expenditures and maintenance expenses required by the Drinking Water Protection Act (Waterworks Water Act Compliance Reserve)	617,421	598,270
Business investment savings account - restricted for capital expenditures for the Fire Protection Reserve	212,195	168,143
Business investment savings account - restricted for capital expenditures for the Waterworks Capital Development Reserve	85,418	61,800
Business investment savings account - restricted for emergency purposes and for unanticipated expenses exceeding the budget for the Contingency Reserve	19,861	14,383
	<u>934,895</u>	<u>842,596</u>
	<u>\$ 1,015,539</u>	<u>\$ 929,458</u>

4. TERM DEPOSIT

	<u>2019</u>	<u>2018</u>
RESTRICTED		
Williams Lake and District Credit Union, 2.75%, maturing on February 1, 2020 - restricted for capital expenditures for the Fire Protection Reserve	\$ 392,171	\$ 384,898

5. DEFERRED REVENUE

Deferred revenue for fire protection represents tax exempt properties revenue received in the current year that relates to the subsequent year as well as prepayments on tolls and taxes made by the rate payers.

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

6. TANGIBLE CAPITAL ASSETS

<u>Cost</u>	2018 Balance	Additions	Disposals	2019 Balance
Fire Protection				
Land	\$ 3,684	\$ -	\$ -	\$ 3,684
Buildings	65,506	-	-	65,506
Fire protection equipment	19,964	6,021	-	25,985
Fire truck	83,462	-	-	83,462
	<u>172,616</u>	<u>6,021</u>	<u>-</u>	<u>178,637</u>
Waterworks				
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>
Waterworks - Compliance				
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>\$ 1,004,304</u>	<u>\$ 6,021</u>	<u>\$ -</u>	<u>\$ 1,010,325</u>

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HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

6. TANGIBLE CAPITAL ASSETS (continued)

<u>Accumulated amortization</u>	2018 Balance	Amortization	Accumulated Amortization on Disposals	2019 Balance
Fire Protection				
Land	\$ -	\$ -	\$ -	\$ -
Buildings	31,222	686	-	31,908
Fire protection equipment	12,072	2,180	-	14,252
Fire truck	82,750	107	-	82,857
	<u>126,044</u>	<u>2,973</u>	<u>-</u>	<u>129,017</u>
Waterworks				
Generators	5,995	234	-	6,229
Computers	1,654	248	-	1,902
Office equipment	631	197	-	828
Pipeline system	336,588	5,365	-	341,953
Snootli Creek dam	13,416	281	-	13,697
Storage building	11,806	952	-	12,758
Waterworks equipment	16,605	174	-	16,779
	<u>386,695</u>	<u>7,451</u>	<u>-</u>	<u>394,146</u>
Waterworks - Compliance				
Water purification system	68,625	6,010	-	74,635
Well and upgrade water system	1,817	432	-	2,249
	<u>70,442</u>	<u>6,442</u>	<u>-</u>	<u>76,884</u>
	<u>\$ 583,181</u>	<u>\$ 16,866</u>	<u>\$ -</u>	<u>\$ 600,047</u>

<u>Net book value</u>	2019	2018
Fire Protection		
Land	\$ 3,684	\$ 3,684
Buildings	33,598	34,284
Fire protection equipment	11,733	7,892
Fire truck	605	712
	<u>49,620</u>	<u>46,572</u>
Waterworks		
Generators	937	1,171
Computers	246	494
Office equipment	785	982
Pipeline system	262,879	268,244
Snootli Creek dam	13,723	14,004
Storage building	36,189	37,141
Waterworks equipment	700	874
	<u>315,459</u>	<u>322,910</u>
Waterworks - Compliance		
Water purification system	24,038	30,048
Well and upgrade water system	21,161	21,593
	<u>45,199</u>	<u>51,641</u>
	<u>\$ 410,278</u>	<u>\$ 421,123</u>

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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, 2019.

8. (UNRESTRICTED) OPERATING SURPLUS

	(Unrestricted) Waterworks Operating Surplus	(Unrestricted) Fire Protection Operating Surplus	(Unrestricted) Water Treatment System Operating Surplus	(Unrestricted) Operating Surplus
ACCUMULATED SURPLUS, BEGINNING OF YEAR	\$ 45,724	\$ 24,438	\$ 18,969	\$ 89,131
Excess of revenues over expenses	35,682	19,480	16,115	71,277
Acquisition of tangible capital assets	-	(6,021)	-	(6,021)
Inter-fund transfers	(25,937)	(46,322)	(16,159)	(88,418)
ACCUMULATED SURPLUS, END OF YEAR	\$ 55,469	\$ (8,425)	\$ 18,925	\$ 65,969

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
ACCUMULATED SURPLUS, BEGINNING OF YEAR	\$ 322,909	\$ 51,639	\$ 46,575	\$ 421,123
Deficiency of revenues over expenses	(7,451)	(6,442)	(2,973)	(16,866)
Acquisition of tangible capital assets	-	-	6,021	6,021
ACCUMULATED SURPLUS, END OF YEAR	\$ 315,458	\$ 45,197	\$ 49,623	\$ 410,278

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

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 2019 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. COMPARATIVE FIGURES

The comparative figures have been reclassified where applicable to conform with the presentation used in the current year.

12. SUBSEQUENT EVENTS

Water Systems Improvement - Grant Application

In 2018, the District applied for replacement of the water mains and associated infrastructure and establishment of a water treatment facility. The application was approved during the current fiscal year. As a condition of the grant, the District would be converted to a local service area under the Central Coast Regional District. As at the date of this report, the conversion is still in process.

Fire Fighter Equipment - Grant Application

The District applied for replacement of fire equipment and gear for 11 volunteer fire fighters during the year. The status of the application was approved subsequent to the year end. The amount of the grant will be close to \$25,000 and be received subsequent to the date of this report.

Fire Truck

In March 2020, the District purchased a used fire truck at a cost of \$149,996. Subsequent to the date of this report, the replacement fire truck will be delivered to the District and the existing fire truck will no longer be certified to operate. The Board of Trustees will make a decision on how to dispose of the existing fire truck at a later date.

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2019

13. 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, 2019.

(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, 2019 was \$nil (2018 - \$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.