

HAGENSBORG WATERWORKS DISTRICT

Financial Statements

Year Ended December 31, 2015

HAGENSBORG WATERWORKS DISTRICT
Index to Financial Statements
Year Ended December 31, 2015

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Cash Flows	5
Statement of Changes in Net Financial Assets	6
Statement of Changes in Accumulated Surplus	7
Statement of Waterworks Operations (<i>Schedule 1</i>)	8
Statement of Fire Protection Operations (<i>Schedule 2</i>)	9
Notes to Financial Statements	10 - 16

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 reviews 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 :

Rosemary Smart,
Corporate Administrative Officer ("CAO")

Hagensborg Waterworks District
Box 25
Hagensborg, BC
V0T 1H0

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Hagensborg Waterworks District :

We have audited the accompanying financial statements of Hagensborg Waterworks District, which comprise the statement of financial position as at December 31, 2015 and the statements of operations, cash flows, changes in net financial assets, and changes in accumulated surplus for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, the financial statements present fairly, in all material respects, the financial position of Hagensborg Waterworks District as at December 31, 2015 and the statements of 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.

Other Matter

The financial statements of Hagensborg Waterworks District for the year ended December 31, 2014 were audited by another auditor who expressed an unqualified opinion on those financial statements on April 20, 2015.



Kamloops, British Columbia
March 22, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS

HAGENSBORG WATERWORKS DISTRICT

Statement of Financial Position

December 31, 2015

	2015	2014 <i>(Note 11)</i>
FINANCIAL ASSETS		
Cash	\$ 400,927	\$ 79,739
Term deposits <i>(Note 4)</i>	476,340	695,488
Accounts receivable	1,328	20,239
Goods and services tax recoverable	4,868	3,515
Interest receivable	6,919	9,961
	<u>890,382</u>	<u>808,942</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	13,413	12,313
Deferred revenue <i>(Note 5)</i>	13,852	9,631
	<u>27,265</u>	<u>21,944</u>
NET FINANCIAL ASSETS	<u>863,117</u>	<u>786,998</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	10,219	10,986
Tangible capital assets <i>(Note 6)</i>	469,093	479,360
	<u>479,312</u>	<u>490,346</u>
ACCUMULATED SURPLUS	<u>\$ 1,342,429</u>	<u>\$ 1,277,344</u>

CONTINGENT LIABILITIES *(Note 7)*

Approved by the Board of Trustees

_____ *Trustee*

_____ *Trustee*

HAGENSBORG WATERWORKS DISTRICT

Statement of Operations

For the Year Ended December 31, 2015

	Budget 2015	Actual 2015	Actual 2014
REVENUES			
Statement of Waterworks Operations - Revenues <i>(Schedule 1)</i>	\$ 148,895	\$ 157,227	\$ 156,580
Statement of Fire Protection Operations - Revenues <i>(Schedule 2)</i>	64,900	73,104	61,367
	<u>213,795</u>	<u>230,331</u>	<u>217,947</u>
EXPENSES			
Statement of Waterworks Operations - Expenses <i>(Schedule 1)</i>	75,892	118,235	99,727
Statement of Fire Protection Operations - Expenses <i>(Schedule 2)</i>	27,360	47,011	21,963
	<u>103,252</u>	<u>165,246</u>	<u>121,690</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 110,543</u>	<u>\$ 65,085</u>	<u>\$ 96,257</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT**Statement of Cash Flows****Year Ended December 31, 2015**

	2015	2014 <i>(Note 11)</i>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 65,085	\$ 96,257
Items not affecting cash:		
Amortization of tangible capital assets	23,894	26,194
Loss on disposal of tangible capital assets	2,006	-
	<u>90,985</u>	<u>122,451</u>
Changes in non-cash working capital:		
Accounts receivable	18,913	(14,912)
Interest receivable	3,042	-
Accounts payable and accrued liabilities	1,099	428
Deferred revenue	4,221	(2,349)
Prepaid expenses	767	4,465
Goods and services tax payable	(1,354)	-
	<u>26,688</u>	<u>(12,368)</u>
Cash flow from operating activities	<u>117,673</u>	<u>110,083</u>
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(15,633)</u>	<u>(35,902)</u>
INCREASE IN CASH FLOW	102,040	74,181
CASH - BEGINNING OF YEAR	<u>775,227</u>	<u>701,046</u>
CASH - END OF YEAR	<u>877,267</u>	<u>775,227</u>
CASH CONSISTS OF:		
Cash	\$ 400,927	\$ 79,739
Term deposits	476,340	695,488
	<u>\$ 877,267</u>	<u>\$ 775,227</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2015

	2015	2014
ANNUAL SURPLUS,		
EXCESS OF REVENUES OVER EXPENSES	\$ 65,085	\$ 96,257
Acquisition of tangible capital assets	(15,633)	(35,902)
Amortization	23,894	26,194
Loss on disposal of tangible capital assets	2,006	-
Change in prepaid expenses	767	4,465
	<u>76,119</u>	<u>91,014</u>
Net financial assets, beginning of year	<u>786,998</u>	<u>695,984</u>
Net financial assets, end of year	<u>\$ 863,117</u>	<u>\$ 786,998</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT
Statement of Changes in Accumulated Surplus
Year Ended December 31, 2015

	(Unrestricted) Waterworks Operating Surplus	(Unrestricted) Fire Protection Operating Surplus	(Restricted) Waterworks Capital Development Reserve	(Restricted) Waterworks Water Act Compliance Reserve	(Restricted) Fire Protection Reserve	Waterworks Invested in Tangible Capital Assets <i>(Note 8)</i>	Fire Protection Invested in Tangible Capital Assets	Total 2015	<i>(Restated)</i> Total 2014 <i>(Note 11)</i>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	\$ 64,966	\$ 33,339	\$ 15,705	\$ 322,461	\$ 361,513	\$ 435,402	\$ 43,958	\$ 1,277,344	\$ 1,181,087
Excess (deficiency) of revenues over expenses	(14,824)	19,235	288	78,048	8,238	(24,519)	(1,381)	65,085	96,257
Acquisition of tangible capital assets	-	-	(15,633)	-	-	15,633	-	-	-
Inter-fund transfers	-	(40,000)	-	-	40,000	-	-	-	-
ACCUMULATED SURPLUS, END OF YEAR	\$ 50,142	\$ 12,574	\$ 360	\$ 400,509	\$ 409,751	\$ 426,516	\$ 42,577	\$ 1,342,429	\$ 1,277,344

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT

Statement of Waterworks Operations

(Schedule 1)

Year Ended December 31, 2015

	Budget 2015	Actual 2015	<i>(Restated)</i> Actual 2014 <i>(Note 11)</i>
REVENUES			
Watertolls	\$ 32,949	\$ 33,338	\$ 32,949
Parcel tax			
Operations	19,829	19,200	19,829
Capital development and compliance	88,325	91,500	88,325
Interest	6,792	6,209	14,124
Recovery of administration costs	1,000	5,141	1,326
Miscellaneous	-	1,839	27
	<u>148,895</u>	<u>157,227</u>	<u>156,580</u>
EXPENSES			
Administration	22,500	22,500	24,982
Advertising	1,600	6,914	1,610
Amortization <i>(Note 9)</i>	-	22,513	24,800
Bad debts (recovery)	1,800	(3,371)	3,063
Bank charges and interest	338	363	451
Bookkeeping	6,750	17,953	5,742
Honoraria	2,500	2,500	2,500
Insurance, licences and permits	11,750	7,596	11,746
Loss on disposal of tangible capital assets <i>(Note 9)</i>	-	2,006	-
Memberships	570	75	792
Office and sundry	1,999	2,969	2,556
Point of entry maintenance	4,500	7,620	897
Professional fees	9,000	19,377	7,038
Repairs and maintenance	5,837	5,054	6,666
Telephone	1,500	1,642	1,501
Training	860	633	700
Travel and meetings	3,375	3,166	3,376
Upgrades and expansions (recovery)	-	(1,931)	-
Utilities	1,013	656	1,307
	<u>75,892</u>	<u>118,235</u>	<u>99,727</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 73,003</u>	<u>\$ 38,992</u>	<u>\$ 56,853</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT

Statement of Fire Protection Operations

(Schedule 2)

Year Ended December 31, 2015

	Budget 2015	Actual 2015	<i>(Restated)</i> Actual 2014 <i>(Note 11)</i>
REVENUES			
Provincial assessment	\$ 55,235	\$ 55,235	\$ 51,416
Capital development - tax exempt properties	9,665	9,631	9,901
Interest	-	6,638	-
Miscellaneous	-	1,600	50
	<u>64,900</u>	<u>73,104</u>	<u>61,367</u>
EXPENSES			
Administration	4,960	7,500	2,600
Advertising	-	2,260	-
Amortization <i>(Note 9)</i>	-	1,381	1,395
Bad debts	-	1,159	-
Bank charges and interest	-	8	-
Bookkeeping	-	4,563	1,384
Equipment purchases	1,500	86	-
Fire truck - fuel and oil	1,000	159	317
Fire truck - inspections	2,400	1,751	1,564
Fire truck - insurance	-	772	-
Honoraria	2,000	1,180	1,330
Insurance, licences and permits	5,000	6,162	3,637
Office and sundry	-	858	25
Professional fees	-	5,818	-
Repairs and maintenance	3,500	5,255	2,125
Telephone	4,500	4,309	4,298
Training	500	75	-
Travel and meetings	-	1,055	-
Utilities	2,000	2,660	3,288
	<u>27,360</u>	<u>47,011</u>	<u>21,963</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 37,540	\$ 26,093	\$ 39,404

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

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.

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 ("PSAB") 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) Basis of accounting

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.

(b) Fund accounting

Hagensborg Waterworks District follows the restricted fund method of accounting for contributions.

The Operating Surplus funds for Waterworks and Fire Protection reports for the District's assets, liabilities, revenues and expenses related to water works operations and fire protection operations.

The Invested in Tangible Capital Asset funds for Waterworks and Fire Protection reports for the District's assets, liabilities, revenues and expenses related to Hagensborg Waterworks District's tangible capital assets.

The Waterworks Water Act Compliance Reserve fund and the Fire Protection Reserve fund reports for the District's assets, liabilities, revenues and expenses. These funds are to be used only for approved maintenance expenses.

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.

(c) 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.

(continues)

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

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

(d) Term deposits

Term deposits are recorded at cost. Interest is accrued which approximates fair value.

(e) 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 contingency 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 contingency funds will be directed to operational expenses.

(f) 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

Computers	50%
Generators	20%
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.

Tangible capital assets acquired during the year are not amortized until the subsequent year or until they are placed into use.

(g) 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.

(continues)

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

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

(h) Revenue recognition

Restricted contributions related to general operations are recognized as revenue in the (Unrestricted) Operating Surplus funds for Waterworks and Fire Protection in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Revenue is recognized when earned or the amount to be received can be reasonably estimated and collection is reasonably assured.

(i) Goods and services tax

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

(j) 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. Actual results could differ from these estimates.

(k) Financial instruments policy

Fair value

Assets and liabilities designated as available-for-sale include cash, term deposits, accounts receivable, interest receivable, and accounts payable are measured in the statement of net 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.

Liquidity risk

It is management's opinion that the District is not subject to significant liquidity risk associated with its financial instruments. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Interest rate risk

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

Credit risk

It is management's opinion that the District is not subject to significant credit risk associated with its financial instruments. 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, 2015 was \$NIL (2014 - \$3,921).

Transaction costs related to the acquisition of these financial instruments are expensed.

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

3. CAPITAL DISCLOSURE

The District considers its capital to be the balance maintained in its accumulated surplus, end of year, for its (Unrestricted) Waterworks Operating Surplus, (Unrestricted) Fire Protection Operating Surplus, (Restricted) Waterworks Capital Development Reserves, and (Restricted) Fire Protection Reserve funds. The primary objective of the District is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives.

Capital is invested under the direction of the Board of Trustees of the District with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements.

The District is required to invest capital to meet the external requirements for water quality under the Drinking Water Protection Act and Regulations. There is an externally imposed restriction to replace the fire truck after a specified number of years regardless of the condition of the truck.

4. TERM DEPOSITS

	<u>2015</u>	<u>2014</u>
Williams Lake and District Credit Union, 1.90%, maturing on January 31, 2019	\$ 363,783	\$ 357,000
Williams Lake and District Credit Union, 2.35%, maturing on October 10, 2016	112,557	110,000
Williams Lake and District Credit Union, matured during the year	-	228,488
	<u>\$ 476,340</u>	<u>\$ 695,488</u>

5. DEFERRED REVENUE

Deferred revenue represents unspent tax exempt properties revenue, for fire protection, received in the current year that relates to the subsequent year. Changes in the deferred revenue balance are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 9,631	\$ 11,980
Less: amount recognized during the year	(9,631)	(11,980)
Add: amounts received during the current year relating to the subsequent year	13,852	9,631
Balance, end of year	<u>\$ 13,852</u>	<u>\$ 9,631</u>

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Fire Protection				
Land	\$ 3,684	\$ -	\$ 3,684	\$ 3,684
Buildings	65,506	28,705	36,801	37,745
Fire protection equipment	11,724	10,794	930	1,163
Fire truck	83,462	82,303	1,159	1,363
	<u>164,376</u>	<u>121,802</u>	<u>42,574</u>	<u>43,955</u>
Waterworks				
Computers	2,346	776	1,570	1,595
Generators	7,166	4,879	2,287	2,859
Office equipment	1,071	-	1,071	-
Pipeline system	604,832	319,827	285,005	316,237
Snootli Creek dam	27,420	12,544	14,876	15,180
Storage building	48,947	8,875	40,072	26,164
Waterworks equipment	16,119	16,110	9	12
	<u>707,901</u>	<u>363,011</u>	<u>344,890</u>	<u>362,047</u>
Waterworks - Compliance				
Water purification system	98,673	39,986	58,687	73,358
Well and upgrade water system	23,410	468	22,942	-
	<u>122,083</u>	<u>40,454</u>	<u>81,629</u>	<u>73,358</u>
	<u>\$ 994,360</u>	<u>\$ 525,267</u>	<u>\$ 469,093</u>	<u>\$ 479,360</u>

The write-down of tangible capital assets during the year was \$NIL (2014 - \$NIL).

7. CONTINGENT LIABILITIES

(a) 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, 2015.

(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 expense.

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

8. WATERWORKS INVESTED IN TANGIBLE CAPITAL ASSETS

	Waterworks Invested in Tangible Capital Assets	Waterworks Invested in Tangible Capital Assets - Compliance	Waterworks Invested in Tangible Capital Assets Total
ACCUMULATED SURPLUS, BEGINNING OF YEAR	\$ 336,630	\$ 98,772	\$ 435,402
Deficiency of revenues over expenses	(7,373)	(17,146)	(24,519)
Acquisition of tangible capital assets	15,633	-	15,633
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 344,890</u>	<u>\$ 81,626</u>	<u>\$ 426,516</u>

9. 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 PSAB, 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 PSAB.

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 2015 budget. However, amortization expense and a loss on disposal of tangible capital assets was recognized in the statement of operations in actual figures under PSAB.

The chart below reconciles the budget figures reported in these financial statements to the approved budget:

	<u>Budget amount</u>
Budgeted annual surplus, per Statement of Operations	\$ 110,543
Less: Capital expenditures - Waterworks Operations	(15,000)
Less: Capital expenditures - Fire Protection Operations	<u>(1,500)</u>
Annual surplus, per approved Budget	<u>\$ 94,043</u>

10. RELATED PARTY TRANSACTIONS

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

During the year, the District paid \$5,868 to Matthews Contracting, a business owned by a family member of one of the Board of Trustees, for maintenance costs. As of December 31, 2015, included in accounts payable is \$672 owing to Matthews Contracting for the maintenance contract.

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2015

11. COMPARATIVE FIGURES

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

The prior year comparative figures were audited by another chartered professional accountant.

12. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During the preparation of the financial statements for the year ended December 31, 2015, District identified certain prior period presentation errors as described below and in accordance with CICA Handbook Section - PSAB 1201, Financial Statement Presentation. District has accounted for these adjustments retrospectively. The net effect of these adjustments to those balances that were impacted included their restated balance are shown below:

	As previously reported	Change	Restated
<u>Statement of Waterworks Operations</u>			
Amortization	\$ -	\$ 24,800	\$ 24,800
Upgrades and expansions	31,852	(31,852)	-
Excess of revenues over expenses	49,801	7,052	56,853
	<u>\$ 81,653</u>	<u>\$ -</u>	<u>\$ 81,653</u>
 <u>Statement of Fire Protection Operations</u>			
Amortization	-	1,395	1,395
Repairs and maintenance	5,955	(4,051)	1,904
Excess of revenues over expenses	36,748	2,656	39,404
	<u>\$ 42,703</u>	<u>\$ -</u>	<u>\$ 42,703</u>
 <u>Statement of Cash Flows</u>			
Amortization	-	26,194	26,194
Tangible capital asset purchases included in operations	35,902	(35,902)	-
Excess of revenues over expenses	86,549	9,708	96,257
	<u>\$ 122,451</u>	<u>\$ -</u>	<u>\$ 122,451</u>
 <u>Statement of Changes in Accumulated Surplus</u>			
Amortization	(26,194)	26,194	-
Acquisition of tangible capital assets	35,902	(35,902)	-
Excess of revenues over expenses	86,549	9,708	96,257
	<u>\$ 96,257</u>	<u>\$ -</u>	<u>\$ 96,257</u>