

HAGENSBORG WATERWORKS DISTRICT

Financial Statements

Year Ended December 31, 2017

HAGENSBORG WATERWORKS DISTRICT
Index to Financial Statements
Year Ended December 31, 2017

	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
Statement of Water Treatment System Operations (<i>Schedule 3</i>)	10
Notes to Financial Statements	11 - 19

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

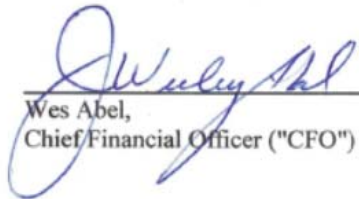
The financial statements of Hagensborg Waterworks District have been prepared in accordance with Canadian Public Sector Accounting Standards. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements 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 :



Wes Abel,
Chief Financial Officer ("CFO")

Hagensborg Waterworks District
Box 25
Hagensborg, BC
V0T 1H0
April 18, 2018

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, 2017 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, 2017 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.



Kamloops, British Columbia
April 18, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

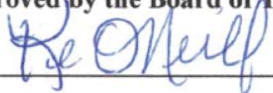
HAGENSBORG WATERWORKS DISTRICT

Statement of Financial Position

December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash (Note 3)	\$ 814,278	\$ 618,540
Term deposit (Note 4)	377,721	370,658
Accounts receivable	5,248	7,871
Goods and services tax recoverable	1,433	1,748
Interest receivable	6,567	6,444
NET FINANCIAL ASSETS	1,205,247	1,005,261
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	14,620	13,245
Deferred revenue (Note 5)	17,349	18,482
	31,969	31,727
NET FINANCIAL ASSETS	1,173,278	973,534
NON-FINANCIAL ASSETS		
Prepaid expenses	6,691	9,089
Tangible capital assets (Note 6)	430,568	448,519
	437,259	457,608
ACCUMULATED SURPLUS	\$ 1,610,537	\$ 1,431,142
CONTINGENT LIABILITY (Note 7)		

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, 2017

	Budget 2017	Actual 2017	Actual 2016
REVENUES			
Statement of Waterworks Operations - Revenues <i>(Schedule 1)</i>	\$ 97,901	\$ 100,387	\$ 176,180
Statement of Fire Protection Operations - Revenues <i>(Schedule 2)</i>	126,621	130,144	83,817
Statement of Water Treatment System Operations - Revenues <i>(Schedule 3)</i>	84,149	87,227	-
	<u>308,671</u>	<u>317,758</u>	<u>259,997</u>
EXPENSES			
Statement of Waterworks Operations - Expenses <i>(Schedule 1)</i>	69,726	63,582	117,668
Statement of Fire Protection Operations - Expenses <i>(Schedule 2)</i>	79,298	64,941	53,616
Statement of Water Treatment System Operations - Expenses <i>(Schedule 3)</i>	4,707	9,840	-
	<u>153,731</u>	<u>138,363</u>	<u>171,284</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 154,940</u>	<u>\$ 179,395</u>	<u>\$ 88,713</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT**Statement of Cash Flows****Year Ended December 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 179,395	\$ 88,713
Items not affecting cash:		
Amortization of tangible capital assets	19,083	21,934
Loss on disposal of tangible capital assets	13	-
	<u>198,491</u>	<u>110,647</u>
Changes in non-cash working capital:		
Accounts receivable	2,623	(6,543)
Interest receivable	(123)	475
Accounts payable and accrued liabilities	1,375	(168)
Deferred revenue	(1,133)	4,630
Prepaid expenses	2,398	1,130
Goods and services tax payable	315	3,120
	<u>5,455</u>	<u>2,644</u>
Cash flows from operating activities	<u>203,946</u>	<u>113,291</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,145)	(1,360)
Decrease (increase) in term deposit	(7,063)	105,682
Cash flows from (used by) investing activities	<u>(8,208)</u>	<u>104,322</u>
INCREASE IN CASH FLOW	195,738	217,613
CASH - BEGINNING OF YEAR	<u>618,540</u>	<u>400,927</u>
CASH - END OF YEAR	<u>\$ 814,278</u>	<u>\$ 618,540</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2017

	2017	2016
EXCESS OF REVENUES OVER EXPENSES	\$ 179,395	\$ 88,713
Acquisition of tangible capital assets	(1,145)	(1,360)
Loss on disposal of tangible capital assets	13	-
Amortization	19,083	21,934
Change in prepaid expenses	<u>2,398</u>	<u>1,130</u>
Increase in net financial assets	199,744	110,417
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>973,534</u>	<u>863,117</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 1,173,278</u>	<u>\$ 973,534</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT
Statement of Changes in Accumulated Surplus
Year Ended December 31, 2017

	(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 2017	Total 2016
ACCUMULATED SURPLUS, BEGINNING OF YEAR	\$ 27,704	\$ 14,703	\$ 489,168	\$ 451,048	\$ -	\$ 448,519	\$ 1,431,142	\$ 1,342,429
Excess (deficiency) of revenues over expenses	188,043	44	2,914	7,477	-	(19,083)	179,395	88,713
Acquisition of tangible capital assets	(1,145)	-	-	-	-	1,145	-	-
Disposal of tangible capital assets	13	-	-	-	-	(13)	-	-
Inter-fund transfers	(152,725)	23,478	78,202	43,358	7,687	-	-	-
ACCUMULATED SURPLUS, END OF YEAR	\$ 61,890	\$ 38,225	\$ 570,284	\$ 501,883	\$ 7,687	\$ 430,568	\$ 1,610,537	\$ 1,431,142

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT

Statement of Waterworks Operations

(Schedule 1)

Year Ended December 31, 2017

	Budget 2017	Actual 2017	Actual 2016
REVENUES			
Water tolls	\$ 54,541	\$ 53,651	\$ 49,933
Parcel tax			
Operations	40,480	40,640	18,975
Capital development and compliance	2,880	2,880	92,375
Interest	-	239	4,459
Recovery of administration costs	-	2,677	3,034
Miscellaneous	-	300	419
Provincial government grants	-	-	6,985
	<u>97,901</u>	<u>100,387</u>	<u>176,180</u>
EXPENSES			
Administration	17,013	16,050	24,764
Advertising and website	650	872	753
Amortization	-	8,052	20,654
Bank charges and interest	200	181	271
Bookkeeping	15,150	17,334	23,399
Honoraria	2,500	3,750	2,500
Insurance, licences and permits	5,208	5,270	8,356
Loss on disposal of tangible capital assets <i>(Note 10)</i>	-	13	-
Memberships	465	236	100
Office and sundry	1,450	833	2,182
Professional fees	7,600	5,750	20,525
Repairs and maintenance	13,055	2,258	7,839
Telephone	1,660	1,123	1,391
Training, travel and meetings	3,400	681	3,324
Utilities and internet	1,375	1,179	1,610
	<u>69,726</u>	<u>63,582</u>	<u>117,668</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 28,175</u>	<u>\$ 36,805</u>	<u>\$ 58,512</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT

Statement of Fire Protection Operations

(Schedule 2)

Year Ended December 31, 2017

	Budget 2017	Actual 2017	Actual 2016
REVENUES			
Provincial assessment	\$ 103,551	\$ 103,551	\$ 62,513
Capital development - tax exempt properties	23,070	18,482	13,994
Interest	-	7,794	7,310
Miscellaneous	-	317	-
	<u>126,621</u>	<u>130,144</u>	<u>83,817</u>
EXPENSES			
Administration	17,013	16,306	8,474
Advertising and website	650	872	251
Amortization	-	1,194	1,280
Bad debts	-	96	-
Bank charges and interest	200	182	91
Bookkeeping	9,750	13,194	7,490
Fire truck - fuel and oil	350	260	192
Fire truck - inspections	2,000	3,116	2,534
Fire truck - insurance	840	851	810
Honoraria	2,500	1,720	1,516
Insurance, licences and permits	7,470	6,588	4,696
Memberships	165	-	-
Office and sundry	875	577	953
Professional fees	7,600	5,750	10,304
Repairs and maintenance	13,505	4,842	7,363
Telephone	4,360	4,453	4,340
Training, travel and meetings	8,045	1,012	873
Utilities and internet	3,975	3,928	2,449
	<u>79,298</u>	<u>64,941</u>	<u>53,616</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 47,323</u>	<u>\$ 65,203</u>	<u>\$ 30,201</u>

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT
Statement of Water Treatment System Operations
Year Ended December 31, 2017

(Schedule 3)

	Budget 2017	Actual 2017	Actual 2016
REVENUES			
Water tolls	\$ 12,794	\$ 12,623	\$ -
Parcel tax			
Operations	65,325	65,660	-
Capital development and compliance	6,030	6,030	-
Interest	-	2,914	-
	84,149	87,227	-
EXPENSES			
Amortization	-	9,840	-
Insurance, licenses and permits	707	-	-
Repairs and maintenance	4,000	-	-
	4,707	9,840	-
EXCESS OF REVENUES OVER EXPENSES	\$ 79,442	\$ 77,387	\$ -

See notes to financial statements

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

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 ("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, 2017

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. Actual results could differ from these estimates.

(continues)

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

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, 2017

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, 2017

3. CASH

	<u>2017</u>	<u>2016</u>
UNRESTRICTED		
Business investment savings account	\$ 67,157	\$ 20,047
Business chequing account	5,344	12,959
Member share account	1,000	1,000
Undeposited funds	418	273
	<u>73,919</u>	<u>34,279</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)	570,284	489,168
Business investment savings account - restricted for capital expenditures for the Fire Protection Reserve	124,163	80,391
Business investment savings account - restricted for capital expenditures for the Waterworks Capital Development Reserve	38,225	14,702
Business investment savings account - restricted for emergency purposes and for unanticipated expenses exceeding the budget for the Contingency Reserve	7,687	-
	<u>740,359</u>	<u>584,261</u>
	<u>\$ 814,278</u>	<u>\$ 618,540</u>

4. TERM DEPOSIT

	<u>2017</u>	<u>2016</u>
RESTRICTED		
Williams Lake and District Credit Union, 1.90%, maturing on January 31, 2019 - restricted for capital expenditures for the Fire Protection Reserve	\$ 377,721	\$ 370,658

5. DEFERRED REVENUE

Deferred revenue for fire protection represents unspent tax exempt properties revenue received in the current year that relates to the subsequent year.

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

6. TANGIBLE CAPITAL ASSETS

<u>Cost</u>	2016		2017	
	Balance	Additions	Disposals	Balance
Fire Protection				
Buildings	\$ 65,506	\$ -	\$ -	\$ 65,506
Land	3,684	-	-	3,684
Fire protection equipment	11,724	-	-	11,724
Fire truck	83,462	-	-	83,462
	<u>164,376</u>	<u>-</u>	<u>-</u>	<u>164,376</u>
Waterworks				
Generator	7,166	-	-	7,166
Computers	2,346	603	801	2,148
Office equipment	1,071	542	-	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>709,261</u>	<u>1,145</u>	<u>801</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>\$ 995,720</u>	<u>\$ 1,145</u>	<u>\$ 801</u>	<u>\$ 996,064</u>

(continues)

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

6. TANGIBLE CAPITAL ASSETS (continued)

<u>Accumulated amortization</u>	2016 Balance	Amortization	Accumulated Amortization on Disposals	2017 Balance
Fire Protection				
Buildings	\$ 29,625	\$ 897	\$ -	\$ 30,522
Land	-	-	-	-
Fire protection equipment	10,980	149	-	11,129
Fire truck	82,477	148	-	82,625
	<u>123,082</u>	<u>1,194</u>	<u>-</u>	<u>124,276</u>
Waterworks				
Generator	5,336	366	-	5,702
Computers	1,561	386	788	1,159
Office equipment	214	171	-	385
Pipeline system	325,527	5,586	-	331,113
Snootli Creek dam	12,842	289	-	13,131
Storage building	9,877	977	-	10,854
Waterworks equipment	16,112	274	-	16,386
	<u>371,469</u>	<u>8,049</u>	<u>788</u>	<u>378,730</u>
Waterworks - Compliance				
Water purification system	51,723	9,390	-	61,113
Well and upgrade water system	927	450	-	1,377
	<u>52,650</u>	<u>9,840</u>	<u>-</u>	<u>62,490</u>
	<u>\$ 547,201</u>	<u>\$ 19,083</u>	<u>\$ 788</u>	<u>\$ 565,496</u>

<u>Net book value</u>	2017	2016
Fire Protection		
Buildings	\$ 34,984	\$ 35,881
Land	3,684	3,684
Fire protection equipment	595	744
Fire truck	837	985
	<u>40,100</u>	<u>41,294</u>
Waterworks		
Generator	1,464	1,830
Computers	989	785
Office equipment	1,228	857
Pipeline system	273,719	279,305
Snootli Creek dam	14,289	14,578
Storage building	38,093	39,070
Waterworks equipment	1,093	1,367
	<u>330,875</u>	<u>337,792</u>
Waterworks - Compliance		
Water purification system	37,560	46,950
Well and upgrade water system	22,033	22,483
	<u>59,593</u>	<u>69,433</u>
	<u>\$ 430,568</u>	<u>\$ 448,519</u>

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

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, 2017.

8. (UNRESTRICTED) OPERATING SURPLUS TOTALS

	(Unrestricted) Waterworks Operating Surplus	(Unrestricted) Fire Protection Operating Surplus	(Unrestricted) Water Treatment System Operating Surplus	TOTAL (Unrestricted) Operating Surplus
ACCUMULATED SURPLUS, BEGINNING OF YEAR	\$ 23,815	\$ 3,889	\$ -	\$ 27,704
Excess of revenues over expenses	44,809	58,921	84,313	188,043
Acquisition of tangible capital assets	(1,145)	-	-	(1,145)
Disposal of tangible capital assets	13	-	-	13
Inter-fund transfers	(26,965)	(47,323)	(78,437)	(152,725)
ACCUMULATED SURPLUS, END OF YEAR	\$ 40,527	\$ 15,487	\$ 5,876	\$ 61,890

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	TOTAL Invested in Tangible Capital Assets
ACCUMULATED SURPLUS, BEGINNING OF YEAR	\$ 337,792	\$ 69,431	\$ 41,296	\$ 448,519
Deficiency of revenues over expenses	(8,051)	(9,839)	(1,193)	(19,083)
Acquisition of tangible capital assets	1,145	-	-	1,145
Disposal of tangible capital assets	(13)	-	-	(13)
ACCUMULATED SURPLUS, END OF YEAR	\$ 330,873	\$ 59,592	\$ 40,103	\$ 430,568

HAGENSBORG WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2017

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 2017 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. 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, 2017.

(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, 2017 was \$nil (2016 - \$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.