

FANNY BAY WATERWORKS DISTRICT

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

FANNY BAY WATERWORKS DISTRICT

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

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Brent Johnson, CPA, CGA, CFP

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees: **Fanny Bay Waterworks District**

I have audited the accompanying consolidated financial statements of Fanny Bay Waterworks District, which comprise of the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of operations, consolidated statement of changes in net financial assets, and consolidated statement of cash flows for the year ended December 31, 2018, 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 consolidated financial statements in accordance with Canadian Public Sector Accounting Standards excluding the Public Sector 4200 series, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility


My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fanny Bay Waterworks District as at December 31, 2018 and the results of its operations and its cash flows for the year ended December 31, 2018 in accordance with Canadian Public Sector Accounting Standards excluding the Public Sector 4200 series.



Brent Johnson, CPA Ltd.
Chartered Professional Accountant

Qualicum Beach, British Columbia
April 5, 2019

FANNY BAY WATERWORKS DISTRICT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	2018	2017
Financial assets		
Cash and short term investments	\$ 35,694	\$ 23,906
Accounts receivable (Note 3)	13,651	12,230
Due from government agency	<u>2,838</u>	<u>1,393</u>
	<u>52,183</u>	<u>37,529</u>
Liabilities		
Accounts payable and accrued liabilities	7,101	9,487
Due to government agencies	424	272
Deferred income (Note 4)	674	658
Long term debt (Note 5)	<u>69,982</u>	<u>41,461</u>
	<u>78,181</u>	<u>51,878</u>
Net financial assets (debt)	<u>(25,998)</u>	<u>(14,349)</u>
Non-financial assets		
Tangible capital assets (Note 6)	393,219	357,482
Supply inventory	-	200
Prepaid expenses	<u>2,976</u>	<u>3,237</u>
	<u>396,195</u>	<u>360,919</u>
Accumulated surplus - Page 2	<u>\$ 370,197</u>	<u>\$ 346,570</u>

ON BEHALF OF THE BOARD


 _____ Trustee

 _____ Trustee

The auditor's report and notes are an integral part of the consolidated financial statements.

FANNY BAY WATERWORKS DISTRICT

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2018

	2018 Budget	2018	2017
REVENUE			
Parcel taxes	\$ 47,988	\$ 47,988	\$ 43,860
Sale of services	38,000	38,920	37,992
Investment income	<u>400</u>	<u>605</u>	<u>593</u>
	<u>86,388</u>	<u>87,513</u>	<u>82,445</u>
EXPENSES			
Amortization of tangible capital assets	15,700	17,800	15,868
Insurance	5,600	4,926	4,764
Interest on long term debt	5,000	1,869	1,688
Office expenses	1,150	1,744	832
Professional fees	5,400	5,522	5,105
Repairs and maintenance	8,695	4,429	4,674
Supplies	3,000	3,389	2,680
Travel and training	2,700	2,076	2,263
Utilities	4,200	3,201	3,658
Wages and benefits	<u>18,300</u>	<u>18,930</u>	<u>18,175</u>
	<u>69,745</u>	<u>63,886</u>	<u>59,707</u>
Annual Surplus	16,643	23,627	22,738
Accumulated Surplus			
Beginning balance	<u>346,570</u>	<u>346,570</u>	<u>323,832</u>
Ending balance - Page 1	<u>\$ 363,213</u>	<u>\$ 370,197</u>	<u>\$ 346,570</u>

The auditor's report and notes are an integral part of the consolidated financial statements.

FANNY BAY WATERWORKS DISTRICT
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2018

	2018	2017
ANNUAL SURPLUS	\$ 23,627	\$ 22,738
Acquisition of tangible capital assets	(53,537)	(14,599)
Amortization of tangible capital assets	<u>17,800</u>	<u>15,868</u>
	(12,110)	24,007
Consumption of supply inventory	200	56
Use of prepaid expense	<u>261</u>	<u>156</u>
	<u>461</u>	<u>212</u>
Increase in net financial assets	(11,649)	24,219
NET FINANCIAL ASSETS (DEBT)		
Beginning balance	<u>(14,349)</u>	<u>(38,568)</u>
Ending balance	<u>\$ (25,998)</u>	<u>\$ (14,349)</u>

The auditor's report and notes are an integral part of the consolidated financial statements.

FANNY BAY WATERWORKS DISTRICT

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	2018	2017
Cash provided by (used in)		
Operating transactions		
Annual surplus	\$ 23,627	\$ 22,738
Amortization of tangible capital assets	<u>17,800</u>	<u>15,868</u>
	<u>41,427</u>	<u>38,606</u>
Changes in non-cash operating balances		
Accounts receivable	(1,421)	395
Due from government agency	(1,446)	(500)
Accounts payable and accrued liabilities	(2,385)	1,148
Due to government agencies	152	6
Deferred income	16	(541)
Supply inventory	200	56
Prepaid expenses	<u>261</u>	<u>156</u>
	<u>(4,623)</u>	<u>720</u>
Net Cash Provided by Operating Activities	<u>36,804</u>	<u>39,326</u>
Financing transactions		
Proceeds of debt	57,935	12,046
Payment of long term debt	<u>(29,414)</u>	<u>(28,655)</u>
	<u>28,521</u>	<u>(16,609)</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(53,537)</u>	<u>(14,599)</u>
Increase in cash and cash equivalents	11,788	8,118
CASH AND SHORT TERM INVESTMENTS		
Beginning balance	<u>23,906</u>	<u>15,788</u>
Ending balance	<u>\$ 35,694</u>	<u>\$ 23,906</u>

The auditor's report and notes are an integral part of the consolidated financial statements.

FANNY BAY WATERWORKS DISTRICT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. HISTORY AND NATURE OF THE WATERWORKS DISTRICT

The **Fanny Bay Waterworks District** (Waterworks District) was incorporated on May 9, 1963 under the Water Act and Regulations under the laws of the province of British Columbia to provide water supply to the residents of the Fanny Bay Waterworks District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) **The Waterworks District** prepares its financial statements in accordance with Canadian Public Sector Accounting Standards excluding the Public Sector 4200 series.

The consolidated financial statements reflect the combined results and activities of the Waterworks District which is comprised of the operating and capital funds, and all organizations that are accountable for the administration of their financial affairs and resources to the Board of Trustees and are controlled or owned by the Waterworks District.

- (b) **Non-financial assets** are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

- (c) **Tangible capital assets** are recorded at cost and amortized over their useful lives, in accordance to the provisions of Public Sector 3150. Tangible capital assets are a special class of non-financial assets and are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital assets commencing when the asset is put into use. Donated tangible capital assets are recorded at fair value at the time of the donation.

- (d) The estimated useful lives of **tangible capital assets** are as follows:

Machinery and equipment	10 to 50 years
Waterworks systems	10 to 50 years

- (e) **Revenue recognition** is when it is earned and more specifically when all the following conditions are met:

Services are provided or products are delivered to customers.
There is clear evidence that an arrangement exists.
Amounts are fixed or can be determined.
The Waterworks District's ability to collect is reasonably assured.
There are no significant obligations for future performance.
The amount of future returns can be reasonably estimated
Interest is recorded in the year it is earned.

- (f) **Short term investments** consist of term deposits and guaranteed investment certificates which are readily convertible to cash and subject to insignificant risk of change in fair value, liquidity and credit risk.

- (g) **Use of estimates** in the preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the year. Significant areas of estimation include assumptions used in estimating amortization of tangible capital assets, and provisions for accrued liabilities. Actual results could differ from these estimates.

- (h) **Deferred revenue** represents revenues collected, but not earned at year end. This is primarily composed of payments received from residents for services to be provided in the following fiscal year.

The auditor's report and notes are an integral part of the consolidated financial statements.

FANNY BAY WATERWORKS DISTRICT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. ACCOUNTS RECEIVABLE

	2018	2017
Parcel taxes and water toll revenue	\$ <u>13,651</u>	\$ <u>12,230</u>

4. DEFERRED INCOME

	2018	2017
Prepaid water toll revenue	\$ <u>674</u>	\$ <u>658</u>

5. LONG TERM DEBT

	2018	2017
Term loan - Royal Bank of Canada, repayable in monthly installments of \$2,605 plus interest at prime plus 0.75% per annum.	\$ -	\$ 29,415
Term loan - Royal Bank of Canada, repayable in monthly installments of \$1,166.67 plus interest at prime rate due in full on November 30, 2019.	<u>69,982</u>	<u>12,046</u>
	69,982	41,461
Less current portion	<u>69,982</u>	<u>29,415</u>
	\$ -	\$ <u>12,046</u>

Principal repayments, based on the loan terms and conditions at year end, are as follows:

2019	\$ <u>69,982</u>
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6. TANGIBLE CAPITAL ASSETS

	2018	2017
Machinery and equipment	\$ 5,157	\$ 7,612
Waterworks system new	331,874	290,804
Waterworks system old	54,688	57,566
Land	<u>1,500</u>	<u>1,500</u>
	\$ <u>393,219</u>	\$ <u>357,482</u>

See the Schedule of Tangible Capital Assets for the Waterworks Capital Fund on page 8 for additional information.

The auditor's report and notes are an integral part of the consolidated financial statements.

FANNY BAY WATERWORKS DISTRICT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

7. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets represents the net book value of the total tangible capital assets less long term obligations assumed to acquire those assets. The change in consolidated equity in tangible capital assets is as follows:

	2018	2017
Balance beginning	\$ 316,021	\$ 300,681
Acquisition of tangible capital assets	53,537	14,599
Payment of long term debt	29,414	28,655
Proceeds from long term debt	(57,935)	(12,046)
Amortization of tangible capital assets	<u>(17,800)</u>	<u>(15,868)</u>
	<u>\$ 323,237</u>	<u>\$ 316,021</u>

8. ACCUMULATED SURPLUS

The Waterworks District segregates accumulated surplus in the following categories:

	2018	2017
Equity in tangible capital assets	\$ 323,237	\$ 316,021
Internally restricted fund	10,000	10,000
Unrestricted fund	<u>36,960</u>	<u>20,549</u>
	<u>\$ 370,197</u>	<u>\$ 346,570</u>

9. HONORARIUMS

The Trustees of the Waterworks District receive remuneration of \$50 per meeting attended.

	2018	2017
Trustees' remuneration	<u>\$ 1,500</u>	<u>\$ 1,500</u>

The auditor's report and notes are an integral part of the consolidated financial statements.

FANNY BAY WATERWORKS DISTRICT

SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEAR ENDED DECEMBER 31, 2018

	Machinery and equipment	Waterworks system - new	Waterworks system - old	Land	2018	2017
Cost						
Beginning balance	\$ 55,235	\$ 459,835	\$ 143,911	\$ 1,500	\$ 660,481	\$ 645,882
Additions	-	53,537	-	-	53,537	14,599
Ending balance	<u>55,235</u>	<u>513,372</u>	<u>143,911</u>	<u>1,500</u>	<u>714,018</u>	<u>660,481</u>
Accumulated amortization						
Balance beginning	47,623	169,031	86,345	-	302,999	287,131
Amortization expense	<u>2,455</u>	<u>12,467</u>	<u>2,878</u>	-	<u>17,800</u>	<u>15,868</u>
Ending balance	<u>50,078</u>	<u>181,498</u>	<u>89,223</u>	-	<u>320,799</u>	<u>302,999</u>
Net book value	<u>\$ 5,157</u>	<u>\$ 331,874</u>	<u>\$ 54,688</u>	<u>\$ 1,500</u>	<u>\$ 393,219</u>	<u>\$ 357,482</u>

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