

FANNY BAY WATERWORKS DISTRICT
Financial Statements
Year Ended December 31, 2022

FANNY BAY WATERWORKS DISTRICT
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Year Ended December 31, 2022

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Fanny Bay Waterworks District have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

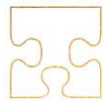
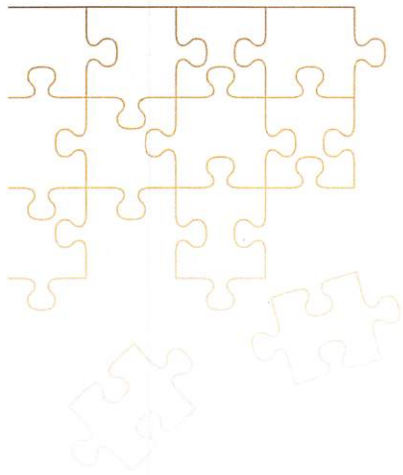
The integrity and reliability of Fanny Bay Waterworks District's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Trustees is composed entirely of trustees who are neither management nor employees of the Water District. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information including the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

Robbins and Company Chartered Professional Accountants are an independent firm, appointed by the Board to audit the financial statements and report directly to the Board. The external auditor has full and free access to, and meets periodically with, both the Board and management to discuss audit findings.

Pat McLean, Administrator

Fanny Bay, BC
April 25, 2023



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Fanny Bay Waterworks District

Report on the Financial Statements

Opinion

We have audited the financial statements of Fanny Bay Waterworks District (the Waterworks District), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in accumulated surplus, changes in net financial assets and cash flows 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 Waterworks District as at December 31, 2022, and the results of its operations and cash flows 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 Waterworks 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.

Other Matter

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 7, 2022.

Responsibilities of Management and Those Charged with Governance for the Financial Statement:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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 Waterworks 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 Waterworks District or to cease operations, or has no realistic alternative but to do so.

(continues)

Independent Auditor's Report to the Board of Trustees of Fanny Bay Waterworks District (continued)

Those charged with governance are responsible for overseeing the Waterworks 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:

- 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 Waterworks 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 Waterworks 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 Waterworks 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.

Courtenay, British Columbia
April 25, 2023


ROBBINS & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

FANNY BAY WATERWORKS DISTRICT
Statement of Financial Position
December 31, 2022

	2022	2021 <i>(Revised)</i>
ASSETS		
Cash	\$ 64,786	\$ 65,529
Accounts receivable <i>(Note 4)</i>	14,553	17,367
Goods and services tax recoverable	1,278	569
	80,617	83,465
LIABILITIES		
Accounts payable	7,587	7,884
Payroll liabilities <i>(Note 6)</i>	723	429
Deferred income	-	397
Current portion of long term debt <i>(Note 7)</i>	12,849	15,230
Long term debt <i>(Note 7)</i>	-	12,850
	21,159	36,790
NET FINANCIAL ASSETS	59,458	46,675
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 8)</i>	332,378	348,233
Prepaid expenses	4,344	3,992
	336,722	352,225
ACCUMULATED SURPLUS	\$ 396,180	\$ 398,900
COMMITMENT <i>(Note 14)</i>		
ON BEHALF OF THE BOARD		
	<i>Trustee</i>	
	<i>Trustee</i>	

FANNY BAY WATERWORKS DISTRICT
Statement of Operations
Year Ended December 31, 2022

	Budget 2022	Total 2022	Total 2021
REVENUES			
Parcel taxes	\$ 27,348	\$ 27,348	\$ 27,348
Water tolls	43,000	45,127	47,049
Investment income	500	442	393
Other income	-	-	2,354
	<u>70,848</u>	<u>72,917</u>	<u>77,144</u>
EXPENSES			
Amortization of tangible assets	13,000	15,855	15,783
Insurance	6,000	5,921	5,893
Interest on long term debt	1,000	751	890
Office	1,200	1,619	2,472
Professional fees	6,500	8,505	6,400
Repairs and maintenance	8,448	13,752	7,690
Supplies	5,500	3,676	4,212
Travel	2,700	1,063	1,207
Utilities	4,500	3,519	3,602
Wages and benefits	22,000	20,976	19,972
	<u>70,848</u>	<u>75,637</u>	<u>68,121</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ -</u>	<u>\$ (2,720)</u>	<u>\$ 9,023</u>

FANNY BAY WATERWORKS DISTRICT
Statement of Changes in Accumulated Surplus
Year Ended December 31, 2022

	Budget 2022	Total 2022	Total 2021
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 389,877	\$ 398,900	\$ 389,877
ANNUAL SURPLUS (DEFICIT)	-	(2,720)	<u>9,023</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 389,877</u>	<u>\$ 396,180</u>	<u>\$ 398,900</u>

FANNY BAY WATERWORKS DISTRICT
Statement of Changes in Net Financial Assets
Year Ended December 31, 2022

	2022	2021
ANNUAL SURPLUS (DEFICIT)	\$ (2,720)	\$ 9,023
Amortization of tangible capital assets	15,855	15,783
Decrease (increase) in prepaid expenses	(352)	43
	<u>15,503</u>	<u>15,826</u>
INCREASE IN NET FINANCIAL ASSETS	12,783	24,849
NET FINANCIAL ASSETS - BEGINNING OF YEAR	46,675	21,826
NET FINANCIAL ASSETS - END OF YEAR (Note 13)	\$ 59,458	\$ 46,675

FANNY BAY WATERWORKS DISTRICT
Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021 <i>(Revised)</i>
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ (2,720)	\$ 9,023
Item not affecting cash:		
Amortization of tangible assets	<u>15,855</u>	<u>15,783</u>
	<u>13,135</u>	<u>24,806</u>
Changes in non-cash working capital		
Accounts receivable	2,814	(1,587)
Goods and services tax recoverable	(709)	1
Prepaid expenses	(352)	43
Deferred income	(397)	98
Accounts payable	(298)	(4,485)
Payroll liabilities	<u>294</u>	<u>(37)</u>
	<u>1,352</u>	<u>(5,967)</u>
Cash flow from operating transactions	<u>14,487</u>	<u>18,839</u>
FINANCING TRANSACTIONS		
Repayment of long term debt	<u>(15,230)</u>	<u>(15,229)</u>
INCREASE (DECREASE) IN CASH FLOW	(743)	3,610
Cash - beginning of year	<u>65,529</u>	<u>61,919</u>
CASH - END OF YEAR	\$ <u>64,786</u>	\$ <u>65,529</u>

FANNY BAY WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

1. PURPOSE OF THE WATERWORKS DISTRICT

Fanny Bay Waterworks District (the "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. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian public sector accounting standards.

The financial statements reflect the results and activities of the Waterworks District, which comprise the operating fund, internally restricted fund and equity in tangible capital assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Comparative figures

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

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. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, management prepares estimates for certain items such as allowance for doubtful accounts, useful lives of tangible capital assets, contingent liabilities and provisions for accrued liabilities.

Short term investments

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.

Revenue recognition

Revenue for the Waterworks District comes from parcel taxes, water tolls, and investment income. Revenue is recognized from all of these sources when the event has occurred or services been provided, the amount is reasonably determined, and the collection is assured.

Expense recognition

Expenses are recorded on an accrual basis and are recognized in the period in which the goods and services are acquired and a liability is incurred or transfers are due.

Deferred income

Funds received for specific purposes which are externally restricted by regulation, legislation or agreement and are not available for general purposes, are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purposes.

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FANNY BAY WATERWORKS DISTRICT
Notes to Financial Statements
Year Ended December 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives, in accordance to the provisions of the Public Sector 3150.

Land	N/A
Machinery and equipment	10 to 50 years straight-line method
Waterworks system	10 to 50 years straight-line method

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. Costs include 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 donation.

Non-financial assets

Non-financial assets are held for use in the provision of services and are not normally available to discharge liabilities. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year together with the net surplus (deficit) for the year, provides the changes in the financial assets.

Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or living organism that exceeds an environmental standard. A liability for remediation of contaminated sites is to be recognized when all of the following criteria are met:

- a) an environmental standard exists;
- b) contamination exceeds the environmental standard;
- c) The Waterworks District;
 - i) is directly responsible; or
 - ii) accepts responsibility; and
- d) it is expected that future economic benefits will be given up;
- e) a reasonable estimate of the amounts can be made.

No liability has been recorded in these financial statements. Should a liability be determined, it will be recorded net of any expected recoveries.

4. ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
Parcel taxes and water toll revenue	<u>\$ 14,553</u>	<u>\$ 17,367</u>

FANNY BAY WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

5. DEFERRED INCOME

	<u>2022</u>	<u>2021</u>
Prepaid water toll revenue	\$ -	\$ 397

6. PAYROLL LIABILITIES

	<u>2022</u>	<u>2021</u>
Worksafe BC payable	\$ 348	\$ 301
Source deductions payable	375	128
	<u>\$ 723</u>	<u>\$ 429</u>

7. LONG TERM DEBT

	<u>2022</u>	<u>2021</u>
Royal Bank of Canada Yake Road term loan bearing interest at 6.45% per annum, repayable in monthly blended payments of \$1,269 plus interest. The loan matures on November 1, 2023.	\$ 12,849	\$ 28,079
Amounts payable within one year	<u>(12,849)</u>	<u>(15,229)</u>
	<u>\$ -</u>	<u>\$ 12,850</u>

Principal repayment terms are approximately:

2023	<u>\$ 12,849</u>
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8. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Machinery and equipment	\$ 46,606	\$ 45,210	\$ 1,396	\$ 2,236
Waterworks system - new	516,960	230,651	286,309	298,446
Waterworks system - old	143,911	100,738	43,173	46,051
Land	1,500	-	1,500	1,500
	<u>\$ 708,977</u>	<u>\$ 376,599</u>	<u>\$ 332,378</u>	<u>\$ 348,233</u>

FANNY BAY WATERWORKS DISTRICT

Notes to Financial Statements

Year Ended December 31, 2022

9. 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:

	<u>2022</u>	<u>2021</u>
Balance beginning	\$ 320,154	\$ 320,708
Repayment of long term debt	15,230	15,229
Amortization	<u>(15,855)</u>	<u>(15,783)</u>
	<u>\$ 319,529</u>	<u>\$ 320,154</u>

10. ACCUMULATED SURPLUS

The Waterworks District segregates accumulated surplus in the following categories:

	<u>2022</u>	<u>2021</u>
Equity in tangible capital assets	\$ 319,529	\$ 320,154
Internally restricted fund	20,000	20,000
Unrestricted fund	<u>56,651</u>	<u>58,746</u>
	<u>\$ 396,180</u>	<u>\$ 398,900</u>

11. HONORARIUMS

The trustees of the Waterworks District receive remuneration of \$500 per annum for services rendered.

12. BUDGET

The Waterworks District budget was approved by the board in 2021. Budget figures are neither audited nor reviewed.

13. INTERNALLY RESTRICTED NET ASSETS

The Waterworks District has the following internally restricted funds that are not available for other purchases without the approval of the Board of Directors:

	<u>2022</u>	<u>2021</u>
Contingency reserve	<u>\$ 20,000</u>	<u>\$ 20,000</u>

FANNY BAY WATERWORKS DISTRICT
Notes to Financial Statements
Year Ended December 31, 2022

14. COMMITMENT

Ministry of Sustainable Resource Management

A 30-year agreement with the Ministry of Sustainable Resource Management commenced April 1, 2002 to lease land at Lot A of District Lot 88, Newcastle District, Plan VIP67926 containing 1.32 hectares, excluding highways under the Highway Act and land covered by water. Rent for the term was \$1.00 and is exclusively for the use of land for domestic waterworks facilities purposes.

15. OCCUPATIONAL LICENSE

Province of British Columbia

A 30-year license of occupation with the Province of British Columbia commenced October 4, 2021 granting the Water District an unexclusive license to occupy land for well head, pumping station, chlorine infiltration and firehall purposes in exchange for \$1.00 for the term. The license is for District Lot 48, Newcastle District, Plan 29577 containing 0.5179 hectares, more or less.

FANNY BAY WATERWORKS DISTRICT
Schedule of Tangible Capital Assets
Year Ended December 31, 2022

(Schedule 1)

	Machinery and equipment	Waterworks system - new	Waterworks system - old	Land	2022	2021
Cost						
Beginning balance	\$ 46,606	\$ 516,960	\$ 143,911	\$ 1,500	\$ 708,977	\$ 708,977
Additions	-	-	-	-	-	-
Ending balance	46,606	516,960	143,911	1,500	708,977	708,977
Accumulated amortization						
Beginning balance	44,370	218,514	97,860	-	360,744	344,961
Amortization of tangible capital assets	840	12,137	2,878	-	15,855	15,783
Accumulated amortization total	45,210	230,651	100,738	-	376,599	360,744
Net book value	\$ 1,396	\$ 286,309	\$ 43,173	\$ 1,500	\$ 332,378	\$ 348,233