

**Qualicum Bay Horne Lake Waterworks District**  
**Consolidated Financial Statements**  
*December 31, 2017*

# Qualicum Bay Horne Lake Waterworks District

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*For the year ended December 31, 2017*

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## **Management's Responsibility**

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To the Board of Trustees of Qualicum Bay Horne Lake Waterworks District:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

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

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to both the Board and management to discuss their audit findings.

March 21, 2018

  
Administrator

## Independent Auditors' Report

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To the Board of Trustees of Qualicum Bay Horne Lake Waterworks District:

We have audited the accompanying consolidated financial statements of Qualicum Bay Horne Lake Waterworks District, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, change in net financial assets, cash flows and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 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 auditors' 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.

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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Qualicum Bay Horne Lake Waterworks District as at December 31, 2017 and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Nanaimo, British Columbia

March 21, 2018

*MNP* LLP


Chartered Professional Accountants

**Qualicum Bay Horne Lake Waterworks District**  
**Consolidated Statement of Financial Position**

*As at December 31, 2017*

	<b>2017</b>	<b>2016</b>
<hr/>		
<b>Financial assets</b>		
Cash and short-term investments	399,544	317,490
Accounts receivable <i>(Note 3)</i>	61,851	78,772
	<hr/>	<hr/>
	<b>461,395</b>	396,262
<hr/>		
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	13,163	72,490
Deferred revenue	5,726	8,674
	<hr/>	<hr/>
	<b>18,889</b>	81,164
<hr/>		
<b>Net financial assets</b>	<b>442,506</b>	315,098
<hr/>		
<b>Non-financial assets</b>		
Prepaid expenses	6,491	6,491
Inventory	4,159	8,970
Tangible capital assets <i>(Schedule 1)</i>	1,512,735	1,642,151
	<hr/>	<hr/>
	<b>1,523,385</b>	1,657,612
<hr/>		
<b>Accumulated surplus <i>(Schedule 2)</i></b>	<b>1,965,891</b>	1,972,710
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Approved on behalf of the Board of Trustees

  
 \_\_\_\_\_  
 Trustee

  
 \_\_\_\_\_  
 Trustee

*The accompanying notes are an integral part of these consolidated financial statements*

**Qualicum Bay Horne Lake Waterworks District**  
**Consolidated Statement of Operations and Accumulated Surplus**

*For the year ended December 31, 2017*

	<i>Budget 2017 (Note 6)</i>	<b>2017</b>	2016
<b>Revenues</b>			
Sale of services	194,609	<b>193,834</b>	178,519
Parcel taxes	109,100	<b>109,143</b>	78,081
Capital levy charges	-	<b>177</b>	6,676
Other income	5,300	<b>15,983</b>	6,775
Investment income	800	<b>1,906</b>	4,936
	<b>309,809</b>	<b>321,043</b>	274,987
<b>Expenses</b>			
Amortization	-	<b>146,971</b>	95,695
Contractor	40,000	<b>33,062</b>	31,006
Insurance	12,000	<b>10,784</b>	10,669
Office	10,100	<b>10,496</b>	13,166
Professional fees	23,500	<b>24,433</b>	9,765
Repairs and maintenance	33,500	<b>13,543</b>	28,001
Travel and training	3,000	<b>1,313</b>	2,161
Utilities	7,700	<b>11,285</b>	10,899
Wages and benefits	78,800	<b>75,975</b>	61,817
	<b>208,600</b>	<b>327,862</b>	263,179
<b>Annual surplus (deficit)</b>	101,209	<b>(6,819)</b>	11,808
<b>Accumulated surplus, beginning of year</b>	1,972,710	<b>1,972,710</b>	1,960,902
<b>Accumulated surplus, end of year</b>	2,073,919	<b>1,965,891</b>	1,972,710

*The accompanying notes are an integral part of these consolidated financial statements*

**Qualicum Bay Horne Lake Waterworks District**  
**Consolidated Statement of Change in Net Financial Assets**

*For the year ended December 31, 2017*

	<i>Budget 2017 (Note 6)</i>	<b>2017</b>	2016
<b>Annual surplus (deficit)</b>	101,209	<b>(6,819)</b>	11,808
Acquisition of tangible capital assets	(394,000)	<b>(17,555)</b>	(497,803)
Change in inventory	-	<b>4,811</b>	5,259
Amortization	-	<b>146,971</b>	95,695
<b>Change in net financial assets</b>	(292,791)	<b>127,408</b>	(385,041)
<b>Net financial assets, beginning of year</b>	315,098	<b>315,098</b>	700,139
<b>Net financial assets, end of year</b>	22,307	<b>442,506</b>	315,098

*The accompanying notes are an integral part of these consolidated financial statements*

**Qualicum Bay Horne Lake Waterworks District**  
**Consolidated Statement of Cash Flows**

*For the year ended December 31, 2017*

	<b>2017</b>	<b>2016</b>
<hr/>		
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus (deficit)	<b>(6,819)</b>	11,808
Amortization	<b>146,971</b>	95,695
	<hr/> <b>140,152</b>	<hr/> 107,503
<b>Changes in non-cash operating balance</b>		
Accounts receivable	<b>16,921</b>	(18,510)
Accounts payable and accrued liabilities	<b>(59,327)</b>	57,713
Inventory	<b>4,811</b>	5,259
Deferred revenue and deposits	<b>(2,948)</b>	2,309
	<hr/> <b>(40,543)</b>	<hr/> 46,771
<b>Net cash provided by operating activities</b>	<hr/> <b>99,609</b>	<hr/> 154,274
<b>Capital activities</b>		
Cash used to acquire tangible capital assets	<b>(17,555)</b>	(497,803)
<b>Increase (decrease) in cash resources</b>	<b>82,054</b>	(343,529)
<b>Cash resources, beginning of year</b>	<b>317,490</b>	661,019
<b>Cash resources, end of year</b>	<hr/> <b>399,544</b>	<hr/> 317,490

*The accompanying notes are an integral part of these consolidated financial statements*



# Qualicum Bay Horne Lake Waterworks District

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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### 1. Incorporation and commencement of operations

The Qualicum Bay Horne Lake Waterworks District (the "District") was incorporated on August 27, 1968 under the laws of the Province of British Columbia to provide water supply to the residents of the Qualicum Bay Horne Lake Waterworks District.

### 2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with the recommendations of the Public Sector Accounting Board of CPA Canada. In accordance with these recommendations, the District has implemented the consolidation of all funds. The consolidated financial statements reflect the removal of internal transactions and balances.

#### **Revenue recognition**

Parcel taxes are recognized upon issuance of tax notices for the fiscal year. Sale of services revenue for water services are recognized on a bi-monthly basis when they are levied. Investment and other income is recognized as revenue is earned on an accrual basis.

Capital levy charges are recognized when the application for new connections are made.

#### **Inventory**

Inventory of supplies is recorded at the lower of cost and replacement cost. Cost is determined using the specific identification method.

#### **Short-term investments**

Short-term investments consist of various term deposits and are valued at cost.

#### **Measurement uncertainty (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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the District is responsible for.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in surplus (deficit) in the periods in which they become known.

#### **Tangible capital assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives commencing when the asset is put into use as follows:

	<b>Rate</b>
Maintenance equipment	10 years
Waterworks system	20 to 60 years
Office equipment	5 to 10 years
Computer software	5 years
Buildings	20 to 40 years

In the year of acquisition, amortization is taken at one-half of the normal rate. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

# Qualicum Bay Horne Lake Waterworks District

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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### 2. Significant accounting policies (continued from previous page)

#### **Fund accounting**

In order to ensure observance of limitations and restrictions placed on the use of resources available to the District, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Trustees.

Four funds are maintained: Operating Fund, Capital Fund, Restricted Capital Fund and Restricted Renewal Fund.

The Operating Fund is used to account for all revenues and expenses related to general and ancillary operations of the District.

The Capital Fund is used to account for all tangible capital assets of the organization and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

The Restricted Reserve Fund - Capital and Restricted Reserve Fund - Renewal consist of funds established by the Trustees of the District, by bylaw, to be used for expenditures related to the upgrading, replacement or renewal of existing waterworks tangible capital assets. These funds, and interest earned thereon, must only be invested and disbursed by the motion passed by the Trustees of the District.

#### **Segment information**

Expenses are not disclosed by segment as there is only one function – water services.

#### **Liability for contaminated sites**

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the District is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2017.

At each financial reporting date, the District reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at December 31, 2017 the District has not recorded any liability for contaminated sites as no sites exist.

#### **Recent accounting pronouncements**

##### **PS 2200 Related Party Disclosures**

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board (PSAB) issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

This section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted.

The District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

# Qualicum Bay Horne Lake Waterworks District

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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### 2. Significant accounting policies (continued from previous page)

#### **PS 3210 Assets**

In June 2015, new PS 3210 Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.

The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.

An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

The District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

#### **PS 3320 Contingent Assets**

In June 2015, new PS 3320 Contingent Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date.

Elected or public sector entity officials announcing public sector entity intentions after the financial statement date cannot create an existing condition or situation at the financial statement date.

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

The District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

# Qualicum Bay Horne Lake Waterworks District

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

### 2. Significant accounting policies (continued from previous page)

#### PS 3380 Contractual Rights

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.

Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

Disclosures should include descriptions about nature, extent, and timing.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

The District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

### 3. Accounts receivable

	2017	2016
Trade receivable	52,424	52,217
Goods and services tax receivable	7,532	24,660
Accrued interest receivable	1,895	1,895
	<b>61,851</b>	<b>78,772</b>

### 4. Financial instruments

The District, as part of its operations, carries a number of financial instruments. The District's financial instruments consist of cash and short-term investments, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the District is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

### 5. Environmental liabilities

The District makes every reasonable effort to comply with all environmental regulations that apply to its operations. These regulations may require future expenditures to meet applicable standards. Amounts required to meet these obligations will be charged to operations or set aside as future reserves when they can be reasonably estimated.

# Qualicum Bay Horne Lake Waterworks District

## Notes to the Consolidated Financial Statements

*For the year ended December 31, 2017*

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### 6. Budget information

Budget figures represents the budget adopted by the Trustees on April 19, 2017. The District budgets for operating activities and capital activities separately. The following schedule reconciles the consolidated surplus as presented in the budgets as approved by the Trustees to the consolidated surplus as shown on the consolidated statement of operations.

Annual surplus, as per Statement of Operations	101,209
Contingency	(10,000)
<u>Acquisition of tangible capital assets</u>	<u>(394,000)</u>
<u>Budgeted deficit as approved by the Trustees</u>	<u>(302,791)</u>

**Qualicum Bay Horne Lake Waterworks District**  
**Consolidated Schedule of Tangible Capital Assets**

*For the year ended December 31, 2017*

**Schedule 1**

	Capital					Totals	
	Maintenance equipment	Waterworks system	Office equipment	Computer software	Buildings	2017	2016
<b>Cost</b>							
Balance, beginning of year	8,183	2,197,611	24,645	19,742	84,734	<b>2,334,915</b>	1,837,112
Add:							
Acquisitions during the year	-	17,555	-	-	-	<b>17,555</b>	497,803
Less:							
Disposals during the year	-	-	-	-	-	-	-
Balance, end of year	<b>8,183</b>	<b>2,215,166</b>	<b>24,645</b>	<b>19,742</b>	<b>84,734</b>	<b>2,352,470</b>	2,334,915
<b>Accumulated amortization</b>							
Balance, beginning of year	7,046	618,391	17,658	10,032	39,637	<b>692,764</b>	597,069
Add:							
Amortization	48	140,777	807	2,943	2,396	<b>146,971</b>	95,695
Less:							
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	<b>7,094</b>	<b>759,168</b>	<b>18,465</b>	<b>12,975</b>	<b>42,033</b>	<b>839,735</b>	692,764
<b>Net book value of tangible capital assets</b>	<b>1,089</b>	<b>1,455,998</b>	<b>6,180</b>	<b>6,767</b>	<b>42,701</b>	<b>1,512,735</b>	1,642,151

**Qualicum Bay Horne Lake Waterworks District**  
**Consolidated Schedule of Fund Balances**

*For the year ended December 31, 2017*

**Schedule 2**

					Totals	
	Operating	Capital	Restricted Reserve Fund - Capital	Restricted Reserve Fund - Renewal	2017	2016
Balance, beginning of year	(293,703)	1,642,151	467,011	157,251	<b>1,972,710</b>	1,960,902
Income	319,379	-	1,657	7	<b>321,043</b>	274,987
Expenses	(180,891)	(146,971)	-	-	<b>(327,862)</b>	(263,179)
Transfer of parcel taxes	(109,143)	-	-	109,143	-	-
Transfer relating to acquisition of tangible capital assets	(17,555)	17,555	-	-	-	-
Transfer of funds to operating	-	-	-	-	-	-
<b>Balance, end of year</b>	<b>(281,913)</b>	<b>1,512,735</b>	<b>468,668</b>	<b>266,401</b>	<b>1,965,891</b>	<b>1,972,710</b>