

OTTER LAKE WATERWORKS DISTRICT

FINANCIAL STATEMENTS

December 31, 2019

OTTER LAKE WATERWORKS DISTRICT

December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of Otter Lake Waterworks District
Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Otter Lake Waterworks District, which comprise the statement of financial position as at December 31, 2019, and the statement of financial activities, the statement of changes in net financial assets, the statement of equity in capital assets, the statement of reserve for capital expenditures and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2019, and its financial performance and its 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the District in accordance with the 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditors' 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 auditors' 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:

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- 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 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the 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.

Armstrong, BC
April 13, 2020



Chartered Professional Accountants

OTTER LAKE WATERWORKS DISTRICT

(Incorporated under the laws of British Columbia)

Statement of Financial Position

As at December 31, 2019

	2019	2018
Financial assets		
Cash	\$ 190,619	\$ 153,089
Term deposits	102,750	100,000
Accounts receivable (Note 2)	10,190	4,810
	<u>303,559</u>	<u>257,899</u>
Liabilities		
Accounts payable and accrued liabilities (Note 3)	<u>26,804</u>	<u>12,976</u>
Net financial assets	<u>276,755</u>	<u>244,923</u>
Non-financial assets		
Prepaid expenses	2,725	2,727
Tangible capital assets (Note 4)	550,083	585,823
	<u>552,808</u>	<u>588,550</u>
Net position	<u>\$ 829,563</u>	<u>\$ 833,473</u>
Accumulated Surplus		
Equity in capital assets	\$ 550,083	\$ 585,823
Reserve for capital expenditures (Note 5)	45,389	45,389
Operating equity	<u>234,091</u>	<u>202,261</u>
Net position	<u>\$ 829,563</u>	<u>\$ 833,473</u>

Approved by the Trustees:

Trustee _____

Trustee _____

The accompanying summary of significant policies and notes to financial statements are an integral part of these statements.

OTTER LAKE WATERWORKS DISTRICT

Statement of Financial Activities

For the year ended December 31, 2019

	2019 Budget	2019 Actual	2018 Actual
Revenue			
Tolls and taxes	\$ 137,960	\$ 142,518	\$ 138,736
Interest	1,300	4,130	1,950
Other	-	3,953	535
	<u>139,260</u>	<u>150,601</u>	<u>141,221</u>
Operating expenditures			
Meter repairs	1,500	9,471	1,600
Miscellaneous maintenance	10,500	21,052	16,476
Operators	30,000	30,478	30,750
Power	12,000	8,300	10,416
Pump maintenance	-	5,868	3,361
Water analysis & chlorine	7,800	8,556	7,667
	<u>61,800</u>	<u>83,725</u>	<u>70,270</u>
Administrative expenditures			
Amortization	45,312	45,312	45,289
Bank charges and interest	150	4	30
Collection fee	-	1,995	1,995
Insurance, licence and dues	4,700	5,205	4,640
Office and miscellaneous	2,300	4,307	4,460
Professional fees	6,500	7,588	6,705
Secretarial	2,000	2,060	2,150
Telephone	1,300	1,315	1,138
Trustee honorarium	3,500	3,000	2,700
	<u>65,762</u>	<u>70,786</u>	<u>69,107</u>
Current year surplus (deficit)	<u>\$ 11,698</u>	<u>\$ (3,910)</u>	<u>\$ 1,844</u>

The accompanying summary of significant policies and notes to financial statements are an integral part of these statements.

OTTER LAKE WATERWORKS DISTRICT

Statement of Change in Net Financial Assets

For the year ended December 31, 2019

	2019 Budget	2019 Actual	2018 Actual
Annual surplus (deficit)	\$ 11,698	\$ (3,910)	\$ 1,844
Add:			
Amortization of tangible capital assets	45,312	45,312	45,289
Decrease in prepaid insurance	-	2	-
	45,312	45,314	45,289
Deduct:			
Acquisition of tangible capital assets	-	9,572	6,101
Increase in prepaid insurance	-	-	72
	-	9,572	6,173
Increase in net financial assets	57,010	31,832	40,960
Net financial assets, beginning of year, as previously stated		243,745	202,913
Prior period adjustment (Note 7)		1,178	1,050
Net financial assets, beginning of year, as restated	244,923	244,923	203,963
Net financial assets, end of year	\$ 301,933	\$ 276,755	\$ 244,923

The accompanying summary of significant policies and notes to financial statements are an integral part of these statements.

OTTER LAKE WATERWORKS DISTRICT

Statement of Equity in Tangible Capital Assets

For the year ended December 31, 2019

	2019	2018
Balance beginning of year, as previously stated	\$ 580,027	\$ 625,011
Prior period adjustment (Note 7)	5,796	-
Balance, beginning of year	\$ 585,823	\$ 625,011
Acquisition of capital assets	9,572	6,101
Amortization	(45,312)	(45,289)
Balance, end of year	\$ 550,083	\$ 585,823

The accompanying summary of significant policies and notes to financial statements are an integral part of these statements.

OTTER LAKE WATERWORKS DISTRICT

Statement of Reserve for Capital Expenditures

For the year ended December 31, 2019

	2019	2018
Balance, beginning of year	\$ 45,389	\$ 45,389
Balance, end of year	\$ 45,389	\$ 45,389

The accompanying summary of significant policies and notes to financial statements are an integral part of these statements.

OTTER LAKE WATERWORKS DISTRICT

Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Cash flows from operating activities		
Cash receipts from customers	\$ 141,991	\$ 139,271
Cash paid for operating and administration	(96,256)	(96,374)
Cash received for interest	1,367	1,491
	<u>47,102</u>	<u>44,388</u>
Cash flows from capital activities		
Acquisition of tangible capital assets	<u>(9,572)</u>	<u>(6,101)</u>
	<u>(9,572)</u>	<u>(6,101)</u>
Cash flows from investing activities		
Net purchase of term deposits	<u>-</u>	<u>(100,000)</u>
	<u>-</u>	<u>(100,000)</u>
Increase (decrease) in cash	37,530	(61,713)
Cash beginning of year	<u>153,089</u>	<u>214,802</u>
Cash end of year	<u>\$ 190,619</u>	<u>\$ 153,089</u>

The accompanying summary of significant policies and notes to financial statements are an integral part of these statements.

OTTER LAKE WATERWORKS DISTRICT

Notes to Financial Statements

For the year ended December 31, 2019

Nature of operations

Otter Lake Waterworks District (the "District") is a local water improvement district under the Local Government Act of British Columbia.

1. Significant accounting policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are detailed as follows:

a) Investments

Investments in term deposits are carried at lower of cost and net realizable value.

b) Non-financial assets

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. The change in non-financial assets during the year, together with the excess of revenues over expenses provides the Change in Net Financial Assets for the year.

i) Tangible capital assets consist mainly of the water distribution system. Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put in to service. Estimated useful lives are as follows:

Buildings	50 years
Computer & software	10 years
Meters	15 years
Pumps	8 years
Water distribution system	50 years

c) Revenue recognition

Taxation revenues are recognized at the time of issuing tax and toll notices for the fiscal year. Sale of services and user fees are recognized when the service or product is provided by the District. All other revenue is recognized as it is earned and is measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and services and/or the creation of a legal obligation to pay.

d) 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant estimates include assumptions used in estimating provisions for accrued liabilities. The amounts recorded for tangible capital assets are based on historical cost and management's estimates of useful lives.

Actual results could differ from the estimates and adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.

OTTER LAKE WATERWORKS DISTRICT

Notes to Financial Statements

For the year ended December 31, 2019

2. Accounts receivable

	<u>2019</u>	<u>2018</u>
GST/HST receivable	\$ 5,238	\$ 4,350
Tolls and taxes receivable	4,480	-
Interest receivable	472	460
	<u>\$ 10,190</u>	<u>\$ 4,810</u>

3. Accounts payable

	<u>2019</u>	<u>2018</u>
Trade payables	\$ 26,151	\$ 12,447
WCB payable	653	529
	<u>26,804</u>	<u>12,976</u>

OTTER LAKE WATERWORKS DISTRICT

Notes to Financial Statements

For the year ended December 31, 2019

4. Tangible capital assets

	Balance beginning of year	Additions and amortization	Disposals	Balance end of year
Cost				
Land	\$ 3	\$ -	\$ -	\$ 3
Buildings	77,100	-	-	77,100
Computer and software	28,570	9,572	-	38,142
Meters	98,398	-	-	98,398
Pumps	75,862	-	-	75,862
Water distribution system	1,660,596	-	-	1,660,596
	<u>1,940,529</u>	<u>9,572</u>	<u>-</u>	<u>1,950,101</u>
Accumulated amortization				
Buildings	69,390	1,542	-	70,932
Computer and software	19,233	1,974	-	21,207
Meters	86,684	1,560	-	88,244
Pumps	55,078	7,024	-	62,102
Water distribution system	1,124,321	33,212	-	1,157,533
	<u>1,354,706</u>	<u>45,312</u>	<u>-</u>	<u>1,400,018</u>
Net book value				
Land	3	-	-	3
Buildings	7,710	(1,542)	-	6,168
Computer and software	9,337	7,598	-	16,935
Meters	11,714	(1,560)	-	10,154
Pumps	20,784	(7,024)	-	13,760
Water distribution system	536,275	(33,212)	-	503,063
	<u>\$ 585,823</u>	<u>\$ (35,740)</u>	<u>\$ -</u>	<u>\$ 550,083</u>
Net book value (2018)	<u>\$ 625,011</u>	<u>\$ (39,188)</u>	<u>\$ -</u>	<u>\$ 585,823</u>

OTTER LAKE WATERWORKS DISTRICT

Notes to Financial Statements

For the year ended December 31, 2019

5. Reserve for capital expenditures

The District has established a reserve for major capital expenditures to be incurred in the future.

6. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists its users of financial statements in assessing the extent of risk related to financial instruments.

Fair value:

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the District is a going concern and thus expects to fully repay the outstanding amounts.

Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. In the opinion of management the market risk exposure to the District is low and is not material.

i) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The District has no foreign currency transactions and therefore is not exposed to currency risk.

ii) Interest rate risk:

Interest rate risk is the risk that the District has interest rate exposure on its liabilities. In the opinion of management, the interest rate risk exposure to the District is low and is not material.

iii) Price risk:

Price risk is the risk that the commodity prices that the District charges are significantly influenced by its competitors and the commodity prices that the District must charge to meet its competitors may not be sufficient to meet its expenses. The District reduces its exposure to price risk by ensuring that it obtains information regarding the commodity prices that are set by the competitors in the region to ensure that its prices are appropriate. In addition, management closely monitors expenses and matches capital outlays to its revenue stream. In the opinion of management, the price risk exposure to the District is low and is not material.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. In the opinion of management, the credit risk exposure to the District is low and is not material.

OTTER LAKE WATERWORKS DISTRICT

Notes to Financial Statements

For the year ended December 31, 2019

7. Prior period adjustment

The December 31, 2018 financial information has been retroactively restated to correct errors. The adjustments affect the net income of prior years. These corrected errors include:

- i) Amounts relating to the acquisition of tangible capital assets had previously been expensed;
- ii) Interest receivable on term deposits was previously unrecorded;
- iii) Accounts payable and accrued liabilities related to miscellaneous maintenance had been understated; and
- iv) Accounts payable and accrued liabilities related to trustee honorariums had been overstated.

December 31, 2018	Previously reported	Adjustments	Restated
Statement of Financial Activities			
Interest revenue	\$ 1,491	\$ 459	\$ 1,950
Pump maintenance	9,461	(6,101)	3,360
Miscellaneous maintenance	15,896	580	16,476
Amortization	44,984	305	45,289
Trustee honorarium	2,950	(250)	2,700
Statement of Financial Position			
Accounts receivable	\$ 4,321	\$ 489	\$ 4,810
Accounts payable and accrued liabilities	13,665	(689)	12,976
Tangible capital assets	580,027	5,796	585,823
Equity in capital assets	580,027	5,796	585,823
Operating equity	201,083	1,178	202,261

Additionally, the December 31, 2018 opening operating funds had been understated by \$1,050.

OTTER LAKE WATERWORKS DISTRICT

Notes to Financial Statements

For the year ended December 31, 2019

8. Commitments

In the year, the District committed to purchasing computer equipment for \$26,000. A progress payment of \$9,572 was made in 2019. The remainder is expected to be paid in 2020.

9. Budget

The budget data presented in these financial statements was adopted by the board of trustees in the year. The following table reconciles the approved budget to the budget figures reported in these financial statements to conform to Canadian public sector accounting standard financial statement presentation.

	<u>Budgeted Amount</u>
Approved budgeted revenues	<u>\$ 139,260</u>
Total revenues	<u>139,260</u>
Approved budgeted expenditures	82,250
Add:	
Amortization of tangible capital assets	<u>45,312</u>
Total expenditures	<u>127,562</u>
Annual surplus per statement of operations	<u>\$ 11,698</u>

10. Subsequent events

Subsequent to year-end, the District approved the acquisition of new meters, budgeted at \$25,000, and the acquisition of a new pump, budgeted at \$16,000.
