

OTTER LAKE WATERWORKS DISTRICT

Financial Statements

December 31, 2022

OTTER LAKE WATERWORKS DISTRICT

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CONTENTS

	Page
MANAGEMENT RESPONSIBILITY STATEMENT	
INDEPENDENT AUDITORS' REPORT	4 - 6
FINANCIAL STATEMENTS	
Statement of Financial Position	7
Changes in Net Financial Assets	8
Statement of Equity in Tangible Fixed Assets	9
Statement of Reserve for Capital Expenditures	10
Statement of Financial Activities	11
Statement of Cash Flows	12
Notes to the Financial Statements	13 - 16

MANAGEMENT RESPONSIBILITY STATEMENT

These financial statements and accompanying schedules of Otter Lake Waterworks District (the "District") are the responsibility of management and have been prepared in accordance with generally accepted accounting principles for local governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Management is responsible for implementing and maintaining a system of internal controls that are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are regularly monitored and evaluated by management.

The financial statements have been audited by Rossworn Henderson LLP, Chartered Professional Accountants, independent external auditors appointed by the District. The following Auditors' Report describes their responsibilities, scope of examination, and opinion on the District's financial statements. The external auditors have full access to the Board of Trustees.

Trustee

Trustee



ROSSWORN HENDERSON LLP *Chartered Professional Accountants*

C.L. Henderson, CPA, CA, Partner*
L.A. Hutton, CPA, CA, Partner*

* providing professional services through a corporation



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INDEPENDENT AUDITORS' REPORT

To the Trustees of
Otter Lake Waterworks District

Opinion

We have audited the financial statements of Otter Lake Waterworks District, which comprise the statement of financial position as at December 31, 2022, and the statements of financial activities, changes in net financial assets, equity in tangible capital assets, reserve for future expansion, renewal reserve 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 District as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAB").

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 PSAB, 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.

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INDEPENDENT AUDITORS' REPORT, continued

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:

- ◆ 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.

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INDEPENDENT AUDITORS' REPORT, continued

- ◆ 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.

APR 21 2023

Armstrong, BC



Chartered Professional Accountants

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OTTER LAKE WATERWORKS DISTRICT

Statement of Financial Position

Year ended December 31, 2022

	2022	2021
Financial assets		
Cash	\$ 270,180	\$ 249,062
Accounts receivable (Note 2)	16,623	6,340
	<u>286,803</u>	<u>255,402</u>
Financial liability		
Accounts payable and accrued liabilities (Note 3)	34,817	23,805
Net financial assets	<u>251,986</u>	<u>231,597</u>
Non-financial assets		
Prepaid expenses	6,340	5,354
Tangible fixed assets (Note 4)	540,584	551,406
	<u>546,924</u>	<u>556,760</u>
Net position	<u>\$ 798,910</u>	<u>\$ 788,357</u>
Accumulated surplus		
Equity in tangible fixed assets	\$ 540,584	\$ 551,406
Reserve for capital expenditures (Note 5)	45,389	45,389
Operating equity	212,937	191,562
Net position	<u>\$ 798,910</u>	<u>\$ 788,357</u>

Approved by the Trustees

Trustee _____

Trustee _____

OTTER LAKE WATERWORKS DISTRICT

Statement of Changes in Net Financial Assets

Year ended December 31, 2022

	2022 Budget	2022 Actual	2021 Actual
Annual surplus (deficit)	\$ (3,545)	\$ 10,553	\$ (17,129)
Acquisition and use of prepaid expenses	-	(986)	(2,376)
Acquisition of tangible fixed assets	(20,000)	(37,098)	(32,506)
Amortization of tangible fixed assets	47,930	47,920	46,902
	27,930	10,822	14,396
Increase (decrease) in net financial assets	24,385	20,389	(5,109)
Net financial assets, beginning of year	231,597	231,597	236,706
Net financial assets, end of year	\$ 255,982	\$ 251,986	\$ 231,597

OTTER LAKE WATERWORKS DISTRICT

Statement of Equity in Tangible Fixed Assets

Year ended December 31, 2022

	2022	2021
Balance, beginning of year	\$ 551,406	\$ 565,802
Add		
Capital purchases	37,098	32,506
Deduct		
Amortization	47,920	46,902
Balance, end of year	\$ 540,584	\$ 551,406

OTTER LAKE WATERWORKS DISTRICT

Statement of Reserve for Capital Expenditures

Year ended December 31, 2022

	2022	2021
Balance, beginning of year	\$ 45,389	\$ 45,389
Balance, end of year	\$ 45,389	\$ 45,389

OTTER LAKE WATERWORKS DISTRICT

Statement of Financial Activities

Year ended December 31, 2022

	2022 Budget	2022 Actual	2021 Actual
Revenues			
Tolls and taxes	\$ 154,300	\$ 161,897	\$ 141,004
Interest income	2,000	3,227	61
Connection fee	-	-	2,500
Government grants and subsidies	-	425	-
	<u>156,300</u>	<u>165,549</u>	<u>143,565</u>
Operating expenditures			
Line, reservoir and other maintenance	18,200	22,046	21,450
Meter repairs	600	-	1,095
Operator	33,000	33,000	33,000
Power	9,500	9,376	9,442
Pump maintenance	-	50	7,791
Water analysis and chlorine	8,600	10,279	9,759
	<u>69,900</u>	<u>74,751</u>	<u>82,537</u>
Administrative expenditures			
Amortization	47,920	47,920	46,902
Bank charges and interest	100	30	80
Collection fee	-	1,965	1,965
Consulting fees	-	670	4,007
Emergency reserve fund	12,000	-	-
Insurance, license and dues	12,750	7,810	8,037
Office and miscellaneous	1,100	4,006	3,631
Professional fees	10,000	10,517	7,670
Secretarial	-	3,600	2,500
Telephone	1,200	1,027	1,215
Trustee honorarium	4,875	2,700	2,150
	<u>89,945</u>	<u>80,245</u>	<u>78,157</u>
Annual surplus (deficit)	<u>\$ (3,545)</u>	<u>\$ 10,553</u>	<u>\$ (17,129)</u>

OTTER LAKE WATERWORKS DISTRICT

Statement of Cash Flows

Year ended December 31, 2022

	2022	2021
Operating		
Cash receipts from users	\$ 158,362	\$ 144,039
Cash receipts from interest	3,227	61
Cash paid for operations and administration	<u>(103,373)</u>	<u>(112,535)</u>
	58,216	31,565
Investing		
Purchase of tangible fixed assets	<u>(37,098)</u>	<u>(32,506)</u>
Increase (decrease) in cash	21,118	(941)
Cash, beginning of year	<u>249,062</u>	<u>250,003</u>
Cash, end of year	<u>\$ 270,180</u>	<u>\$ 249,062</u>

OTTER LAKE WATERWORKS DISTRICT

Notes to the Financial Statements

December 31, 2022

Nature of operations

Otter Lake Waterworks District (the "District") is a local improvement district governed 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) Cash and cash equivalents

Cash includes bank account balances and cash on hand.

(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 fixed assets

Tangible fixed assets consist mainly of the water distribution system. Tangible fixed 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 equipment and software	10 years
Meters	20 years
Pumps	8 years
Water distribution system	50 years

No amortization is recorded on major spare parts as the assets have not been put into service.

(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.

OTTER LAKE WATERWORKS DISTRICT

Notes to the Financial Statements

December 31, 2022

1. Significant accounting policies, continued

(d) Use of estimates

The preparation of financial statements in conformity with Canadian public sector 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.

2. Accounts receivable

	<u>2022</u>	<u>2021</u>
GST/HST receivable	\$ 12,663	\$ 6,340
Tolls and taxes receivable	<u>3,960</u>	<u>-</u>
	<u>\$ 16,623</u>	<u>\$ 6,340</u>

3. Accounts payable and accrued liabilities

	<u>2022</u>	<u>2021</u>
Trade payables	\$ 34,043	\$ 22,970
WCB payable	<u>774</u>	<u>835</u>
	<u>\$ 34,817</u>	<u>\$ 23,805</u>

OTTER LAKE WATERWORKS DISTRICT

Notes to the Financial Statements

December 31, 2022

4. Tangible fixed assets

	Balance, beginning of year	Additions and amortization	Disposals	Balance, end of year
Cost				
Land	\$ 3	\$ -	\$ -	\$ 3
Buildings	77,100	3,544	-	80,644
Computer and software	66,858	-	-	66,858
Meters	152,306	19,608	-	171,914
Pumps	80,975	-	-	80,975
Water distribution system	1,660,596	-	-	1,660,596
Major spare parts	7,426	13,946	-	21,372
	<u>2,045,264</u>	<u>37,098</u>	<u>-</u>	<u>2,082,362</u>
Accumulated amortization				
Buildings	74,016	1,572	-	75,588
Computer and software	30,118	5,324	-	35,442
Meters	92,162	3,970	-	96,132
Pumps	73,609	3,842	-	77,451
Water distribution system	1,223,953	33,212	-	1,257,165
	<u>1,493,858</u>	<u>47,920</u>	<u>-</u>	<u>1,541,778</u>
Net book value				
Land	3	-	-	3
Buildings	3,084	1,972	-	5,056
Computer and software	36,740	(5,324)	-	31,416
Meters	60,144	15,638	-	75,782
Pumps	7,366	(3,842)	-	3,524
Water distribution system	436,643	(33,212)	-	403,431
Major spare parts	7,426	13,946	-	21,372
	<u>\$ 551,406</u>	<u>\$ (10,822)</u>	<u>\$ -</u>	<u>\$ 540,584</u>
Net book value (2022)				
	<u>\$ 551,406</u>	<u>\$ (14,396)</u>	<u>\$ -</u>	<u>\$ 551,406</u>
Net book value (2021)				

5. Reserve for capital expenditures

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

OTTER LAKE WATERWORKS DISTRICT

Notes to the Financial Statements

December 31, 2022

6. Financial instruments

The District's financial instruments consist of cash, term deposits, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the District is not exposed to significant fair value, foreign exchange, liquidity, currency or market risk arising from these financial instruments except as follows:

(a) 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.

(b) Concentration of credit risk

Concentration of credit risk is the risk that a customer has more than ten percent of the total accounts receivable balance and thus there is a higher risk to the business in the event of a default by one of these customers. In the opinion of management the concentration risk exposure to the District that is associated with their customers is low and is not material.

7. 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 budget revenues	\$ 156,300
Approved budget expenditures	111,925
Add:	
Amortization	<u>47,920</u>
Total expenditures	<u>159,845</u>
Annual deficit per statement of operations	<u>\$ (3,545)</u>

8. Asset retirement obligations

The District maintains water wells. Under the Water Sustainability Act of British Columbia and the Groundwater Protection Regulation of British Columbia, a water well requires decommissioning if use has been discontinued for 10 years. The costs and timing associated with the District's decommissioning obligation is undeterminable at this point in time, therefore, no amount has been accrued in the financial statements related to this obligation.
