

Bowser Waterworks District
Consolidated Financial Statements
December 31, 2016

Bowser Waterworks District
Contents

For the year ended December 31, 2016

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Management's Responsibility

To the Board of Trustees of Bowser Waterworks District:

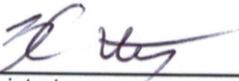
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards. This responsibility includes selecting appropriate 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 consolidated 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 28, 2017



Administrator

Independent Auditors' Report

To the Board of Trustees of Bowser Waterworks District:

We have audited the accompanying consolidated financial statements of Bowser Waterworks District, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations and accumulated surplus, change in net financial assets, and 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 in our audit 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 financial position of Bowser Waterworks District as at December 31, 2016 and the results of its operations, changes 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 28, 2017

MNP LLP

Chartered Professional Accountants

Bowser Waterworks District
Consolidated Statement of Financial Position

As at December 31, 2016

	2016	2015
<hr/>		
Financial Assets		
Cash	277,253	158,617
Short-term investments	716,558	707,295
Accounts receivable <i>(Note 3)</i>	94,852	84,520
	<hr/>	<hr/>
	1,088,663	950,432
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Financial Liabilities		
Accounts payable and accrued liabilities	11,236	10,216
Deferred revenue	134	1,036
	<hr/>	<hr/>
	11,370	11,252
<hr/>		
Net Financial Assets	1,077,293	939,180
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Non-Financial Assets		
Prepaid expenses	2,565	2,484
Inventory	3,522	2,464
Tangible capital assets <i>(Note 4)</i>	3,640,072	3,659,363
	<hr/>	<hr/>
	3,646,159	3,664,311
<hr/>		
Accumulated Surplus <i>(Note 5)</i>	4,723,451	4,603,492
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Approved on behalf of the Trustees



 Trustee



 Trustee

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

Bowser Waterworks District
Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31, 2016

	2016 <i>Budget</i> <i>(Note 10)</i>	2016	2015
Revenues			
Parcel taxes	110,995	111,360	101,370
Sale of services	119,542	117,948	126,266
Investment income	-	8,907	9,726
Capital expenditure charges	-	-	44,459
Contributed tangible capital asset	-	54,800	-
Other income	-	415	310
	230,537	293,430	282,131
Expenses			
Amortization	-	75,099	71,203
Insurance	5,800	5,582	5,443
Loss on disposal of equipment	-	-	16,537
Office	6,500	4,833	3,829
Professional fees	14,616	12,185	15,004
Rent	4,320	4,320	4,320
Repairs and maintenance	12,000	4,762	11,819
Travel and training	2,500	747	891
Utilities	2,600	1,609	1,885
Wages and benefits	67,092	64,334	60,790
	115,428	173,471	191,721
Surplus for the year	115,109	119,959	90,410
Accumulated surplus - beginning of year	4,603,492	4,603,492	4,513,082
Accumulated surplus - end of year	4,718,601	4,723,451	4,603,492

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

Bowser Waterworks District
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2016

	2016 <i>Budget</i> <i>(Note 10)</i>	2016	2015
Annual surplus	115,109	119,959	90,410
Acquisition of tangible capital assets	-	(55,808)	(188,342)
Loss on disposal of tangible capital assets	-	-	16,537
Amortization	-	75,099	71,203
Change in inventory and prepaid expenses	-	(1,137)	(1,275)
Change in net financial assets	115,109	138,113	(11,467)
Net financial assets, beginning of year	939,180	939,180	950,647
Net financial assets, end of year	1,054,289	1,077,293	939,180

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

Bowser Waterworks District
Consolidated Statement of Cash Flows
For the year ended December 31, 2016

	2016	2015
<hr/>		
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	119,959	90,410
Amortization	75,099	71,203
Contributed tangible capital asset	(54,800)	-
Loss on disposal of tangible capital assets	-	16,537
Changes in working capital		
Accounts receivable	(10,331)	(17,073)
Prepaid expenses	(81)	(1,274)
Inventory	(1,058)	-
Accounts payable and accrued liabilities	1,020	(12,620)
Deferred revenue	(901)	468
	128,907	147,651
Investing activities		
Acquisition of tangible capital assets	(1,008)	(188,342)
Financing activities		
Disposal (purchase) of short-term investments	(9,263)	101,496
Increase in cash resources	118,636	60,805
Cash resources, beginning of year	158,617	97,812
Cash resources, end of year	277,253	158,617

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

Bowser Waterworks District

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

1. Incorporation and commencement of operations

The Bowser Waterworks District (the "District") was incorporated in January 1964 under the Society Act of the Province of British Columbia, and operates under the Local Government Act of British Columbia. The principal activities of the District are to provide water service to the residents of Bowser and to maintain and repair all wells and water lines associated with that service.

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 quarterly basis when they are levied. Investment and other income is recognized as revenue is earned on an accrual basis. Capital expenditure charge (CEC) revenue is recorded when amounts are determinable and collectability is assured.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Inventory

Inventory of supplies are 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 the lower of cost and market value.

Measurement uncertainty

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 consolidated 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 in the periods in which they become known.

Bowser Waterworks District
Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

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

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 as follows:

	Rate
Fire hydrants	40 years
Furniture and fixtures	5 years
Reservoir	50 years
Waterworks system	5 to 80 years
Wells and pumps	20 to 60 years

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

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 Reserve Fund and Unrestricted Reserve 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 District and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

The Restricted Reserve Fund consists of funds established by the Board of the District, by bylaw, to be used for expenditures related to the upgrading, or addition of Waterworks tangible capital assets. These funds, and interest earned thereon, must only be invested and disbursed by bylaw passed by the Board of the District.

The Unrestricted Reserve Fund consists of funds established by the Board of the District, unrestricted by bylaw, to be used for expenditures related to the upgrading, replacement or renewal of existing tangible capital assets. The funds can only be expended with the Board's approval.

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, 2016.

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.

Bowser Waterworks District

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

2. Significant accounting policies (continued from previous page)

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 consolidated 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.

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.

2. Significant accounting policies (continued from previous page)

PS 3320 Contingent Assets (continued from previous page)

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.

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.

PS 3430 Restructuring Transactions

In June 2015, new PS 3430 Restructuring Transactions 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:

A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction.

A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.

Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

Bowser Waterworks District

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

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

PS 3430 Restructuring Transactions *(continued from previous page)*

The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense.

Restructuring-related costs are recognized as expenses when incurred.

Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date.

The financial position and results of operations prior to the restructuring date are not restated.

Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

The Section is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018. Earlier application is encouraged.

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

3. Accounts receivable

	2016	2015
Trade receivables	68,681	60,619
Goods and Services Sales Tax receivable	23,359	20,732
Accrued interest receivable	2,812	3,169
	94,852	84,520

4. Tangible capital assets

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Fire Hydrants	92,500	63,594	28,906	31,219
Furniture and fixtures	13,513	12,982	531	905
Reservoir	136,573	96,832	39,741	40,722
Waterworks system	6,603,308	3,218,288	3,385,020	3,393,726
Wells and Pumps	390,000	204,126	185,874	192,791
	7,235,894	3,595,822	3,640,072	3,659,363

See Schedule 1 for more information.

Bowser Waterworks District
Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

5. Accumulated surplus

The District segregates its accumulated surplus into the following categories:

	2016	2015
Fund balances		
Operating Fund	195,142	176,159
Capital Fund	3,640,072	3,659,363
Restricted Reserve Fund - Schedule 2	349,752	346,181
Unrestricted Reserve Fund - Schedule 2	538,485	421,789
Total fund balances	4,723,451	4,603,492

6. Commitments

The District has one year remaining on a five year contract with its operator with an estimated minimum annual payment of \$25,956.

7. Related Party Transactions

During the year, no payments were made to businesses owned by a board member. In 2015, payments of \$1,629 were paid to board members for excavation services. These payments were recorded at the exchange amount and classified as repairs and maintenance expense.

8. Financial instruments

The District, as part of its operations, carries a number of financial instruments. The District's financial instruments consist of cash, 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.

9. 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.

Bowser Waterworks District
Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

10. Budget figures

Budget figures represent the budget adopted by the Board on April 6, 2016. The following schedule reconciles the consolidated surplus as presented in the budget as approved by the Board to the consolidated surplus for the year as shown on the Consolidated Statement of Operations and Accumulated Surplus.

Budgeted surplus as approved by the Board	\$ 110,995
<u>Operating contingency</u>	<u>4,114</u>
Budgeted Surplus for the year, as per the Consolidated Statement of Operations and Accumulated Surplus	<u>\$ 115,109</u>

Bowser Waterworks District
Consolidated Schedule of Tangible Capital Assets

For the year ended December 31, 2016

Schedule 1

	Fire hydrants	Furniture and fixtures	Reservoir	Waterworks system	Wells and pumps	2016	2015
Cost							
Balance, beginning of year	92,500	13,513	135,565	6,548,508	390,000	7,180,086	7,184,681
Add:							
Additions during the year	-	-	1,008	54,800	-	55,808	188,342
Less:							
Disposals during the year	-	-	-	-	-	-	192,937
Balance, end of year	92,500	13,513	136,573	6,603,308	390,000	7,235,894	7,180,086
Accumulated amortization							
Balance, beginning of year	61,281	12,608	94,843	3,154,782	197,209	3,520,723	3,625,920
Add:							
Amortization	2,313	374	1,989	63,506	6,917	75,099	71,203
Less:							
Accumulated amortization on disposals	-	-	-	-	-	-	176,400
Balance, end of year	63,594	12,982	96,832	3,218,288	204,126	3,595,822	3,520,723
Net book value of tangible capital assets	28,906	531	39,741	3,385,020	185,874	3,640,072	3,659,363

Bowser Waterworks District
Consolidated Schedule of Reserve Funds

For the year ended December 31, 2016

Schedule 2

	Restricted Reserve	Unrestricted Reserve	Totals	
			2016	2015
Balance, beginning of year	346,181	421,789	767,970	804,618
Transfer in	-	111,360	111,360	101,370
Capital levy charges	-	-	-	44,459
Interest income	3,571	5,336	8,907	9,648
Transfer out	-	-	-	(192,125)
Balance, end of year	349,752	538,485	888,237	767,970