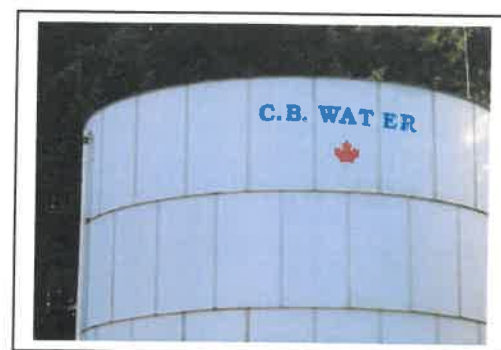
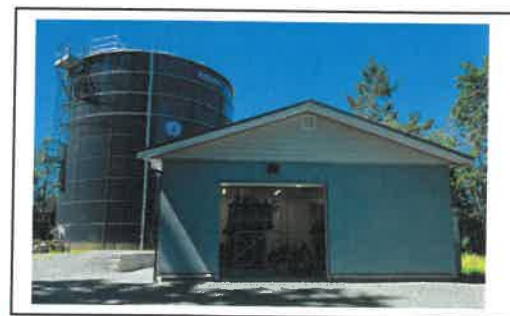


Cowichan Bay Waterworks District

2022 Annual Report



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I. Executive Summary

Year in Review:

2022 continued to be a year of change for Cowichan Bay Waterworks District. The Team has continued with efforts to modernize practices, processes, policies and procedures, reviewing existing bylaws, putting the financial records in order, refining water distribution, and generally organizing administration and operations.

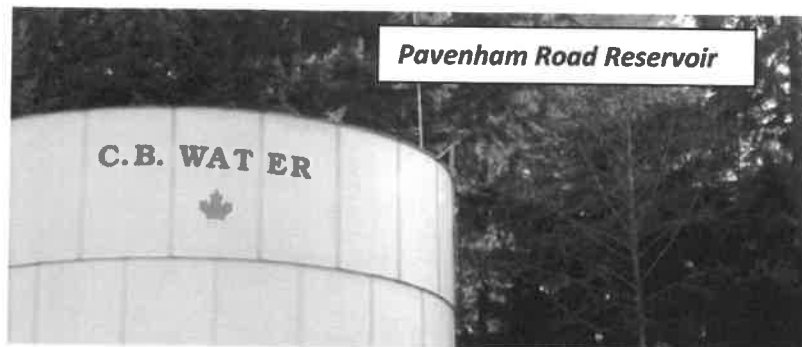
A major accomplishment in 2022 was completion of the Master Plan for the Waterworks System. The Master Plan identifies and prioritizes asset management in order to prioritize replacement, which in turn guides work plans, toll and tax rates, and budgeting.

The Trustees held a Strategic Planning session and created a 2022 - 2024 Action Plan based upon the recommendations from the Master Plan. Work is ongoing on the priorities.

The Source Water Protection Plan was completed. This key planning document assessed the four community supply wells and their source aquifers to clearly define the groundwater protection area, identify potential threats to the delivery of safe drinking water and established a framework and strategies for source water protection. Work on the strategies has commenced.

Cowichan Bay Estates completed and transferred ownership of the new Booster Pump and Fire Pump at Ordano Station. Subdivision of 49 new lots followed in July and construction of new homes is ongoing. The outstanding deficiency issues at the Station are being addressed and should be completed by the summer of 2023. A Latecomer Agreement is now in effect for the next 15 years. The Latecomer Agreement Area Map covers portions of the upper pressure zone that benefit from improved fire protection. Latecomer fees will be due upon application for a water connection.

There was one boundary amendment that included a parcel of land on Longwood Road into the improvement district boundary. The Trustees forwarded two additional boundary expansion applications [Wilmot Road and Cowichan Bay Road] to the Minister of Municipal Affairs for consideration and approval [approved early in 2023].



II. Who We Are

Cowichan Bay Waterworks District [CBWD] is an Improvement District governed by a five member Board of Trustees; elected by landowners within the CBWD boundary as per the terms of the CBWD *Letters Patent*.

2022 Trustees

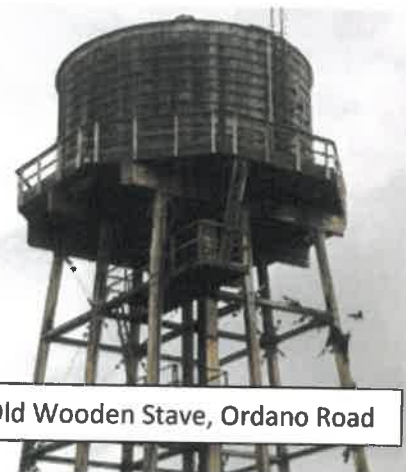
Calvin Slade, Chairperson [March 2023 to present]
Lew Penney, Chairperson [May 2022 to March 2023]
Judi Baker
Pete Edgar
Wendy Gregg

Cowichan Bay Waterworks District is served by a team of part time staff:

2022	2023
District Administrator Cheryl WirsZ, RPP, MCIP, RI	
Finance Officers Accounts Payable Diane Zureski / Pam Bendes Accounts Receivable Heather Plumb [retired] / Leslie Watt	Finance Officers Accounts Payable Pam Bendes Accounts Receivable Anne Nippard
Water Operations Contract Island Flow Control / Maple Facilities	Water Operations Scott McCartney, CWP, Chief Water Operator Pascal Gagne, Water Operations Technician
Meter Reader Rob Knechtle	

Cowichan Bay Waterworks District operates with the support of engineering and computer contracted services [including the automated water monitoring system] and annual audit services.

Cowichan Bay Waterworks District serves a population of approximately 3000 residents. The water system has approximately 950 parcels, 852 meters and 1170 connections for residential and commercial use.



Old Wooden Stave, Ordano Road

III. What We Do

The responsibility of the Cowichan Bay Waterworks District, first and foremost, is the provision of safe and potable community drinking water and water for fire protection purposes.

Secondary goals are efficient administration and operations, fiscal responsibility, fairness, transparency, and consistency.

The water system is a gravity fed system, with the main source of water coming from the two wells at Valleyview, feeding Telegraph Reservoir [the highest point of the system]. The water then fills the Ordano Reservoir and the Pavenham Reservoir, with two pressure reducing valves at the 47 m elevation level.

The water from the wells at Valleyview is high quality and treated with minor amounts of sodium hypochlorite¹ to ensure a safe drinking water supply for residents.

The Pavenham Well has been assessed and plans are in place to install a new pump and treatment system in order to have a back up water supply in the event one of the Valleyview Wells malfunctions.

Water Testing

Water testing is conducted weekly at various locations around the system. In addition, Cowichan Bay Waterworks District conducts full spectrum comprehensive water testing, and semi-annual inspections with representatives from Island Health.

The purpose of these independent tests and inspections is to ensure water safety for residents. The testing is paid for by a grant from the BC Centre for Disease Control and the results are available via a link on our website:



¹ As per minimum requirements under the *Drinking Water Regulations*

IV. When

Water Toll Due Dates	Court of Revision	Parcel Tax Due Date
February, May, August and November each year	tba	Fall 2023

Cowichan Bay Waterworks District has two main sources of income with the first being the *Annual Parcel Tax*, due annually. The second source of income is what is commonly known as the *Water Tolls*. Each water connection is on a meter, which monitors water consumption and is read on a quarterly basis. Billing follows each quarterly meter read and is based upon a flat rate + consumption. CBWD operates on a five tier consumption system to encourage water conservation, especially during the summer when the area is facing severe drought conditions.

The Trustees meet monthly on the third Monday of each month at the Office, located at 1760 Pavenham Road.

The Trustees are required to hold an Annual General Meeting once per year in order to present the annual financial statements.

V. Where

Cowichan Bay Waterworks District is located within Electoral Area D – Cowichan Bay of the Cowichan Valley Regional District on southern Vancouver Island. A boundary map is available in Appendix A and on the website: www.cowichanbaywater.com.

Waterworks infrastructure includes the following facilities/sites:

- 20 km of watermains
- 2 wells currently in use [Valleyview Station]
- 3 wells not used [George Road Well, Pavenham Well, and Kidd Well]
- 3 reservoirs [Pavenham Station, Telegraph Station, Ordano Station]
- 1 treatment station [Valleyview]
- 2 Pressure Reducing Valves [Cowichan Bay Rd and Wilmot Rd]
- 2 Pressure Zones [above and below the 47 m elevation line]
- 1 booster pump [Ordano Station]
- 1 fire pump [Ordano Station]
- 80+ fire hydrants
- 335.6 ha of land
- 9.1 ha of area covering water
- 852 water meters
- 1170 connections
- 950 parcels



VI. Why

Our Values

At Cowichan Bay Waterworks District, our commitment is to provide the community with safe water and superior service.

Our Mission

Cowichan Bay Waterworks District is committed to providing our community with high quality drinking water that is safe, cost effective and sustainable, including provisions for fire protection, now and in the future.

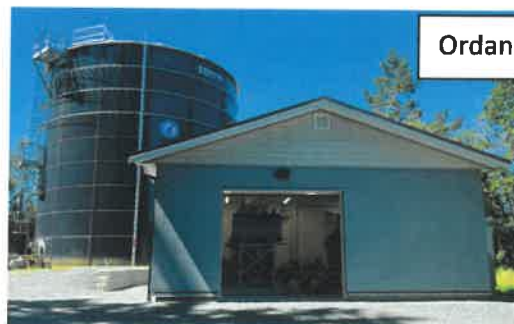
Legislation

Cowichan Bay Waterworks District is governed by two main pieces of legislation; its “Letters Patent” and Part 17 of the *Local Government Act*. Other applicable provincial statutes outline the powers that can be exercised by the Board of Trustees [*Drinking Water Protection Act*, the *Community Charter*, the *Health Act*, the *Highways Act*]. Powers include the ability to enact and enforce its regulations, to assess and collect taxes, to acquire, hold and dispose of lands, to borrow money and to expropriate lands required to carry out its functions. Although improvement districts are independent public corporations, they are also subject to review by the Ministry of Municipal Affairs. Some bylaws passed by the board of trustees must be sent to the Ministry for oversight approval. In addition, each year the improvement district’s audited financial statements and the minutes of its annual general meeting are reviewed and filed with the Ministry.



Water Conservation

Cowichan Bay Waterworks District participates in the *Regional Roundtable on Water Conservation*. The Roundtable partnership creates annual regional water use restrictions to ensure consistency across the Cowichan Valley. In addition, Cowichan Bay Waterworks District encourages water conservation through a variety of recommended household practices, such as low flow faucets and showerheads, the use of rain barrels, drip irrigation, drought resistant landscaping and recommended household/yard maintenance, such as annual inspections of irrigation systems.

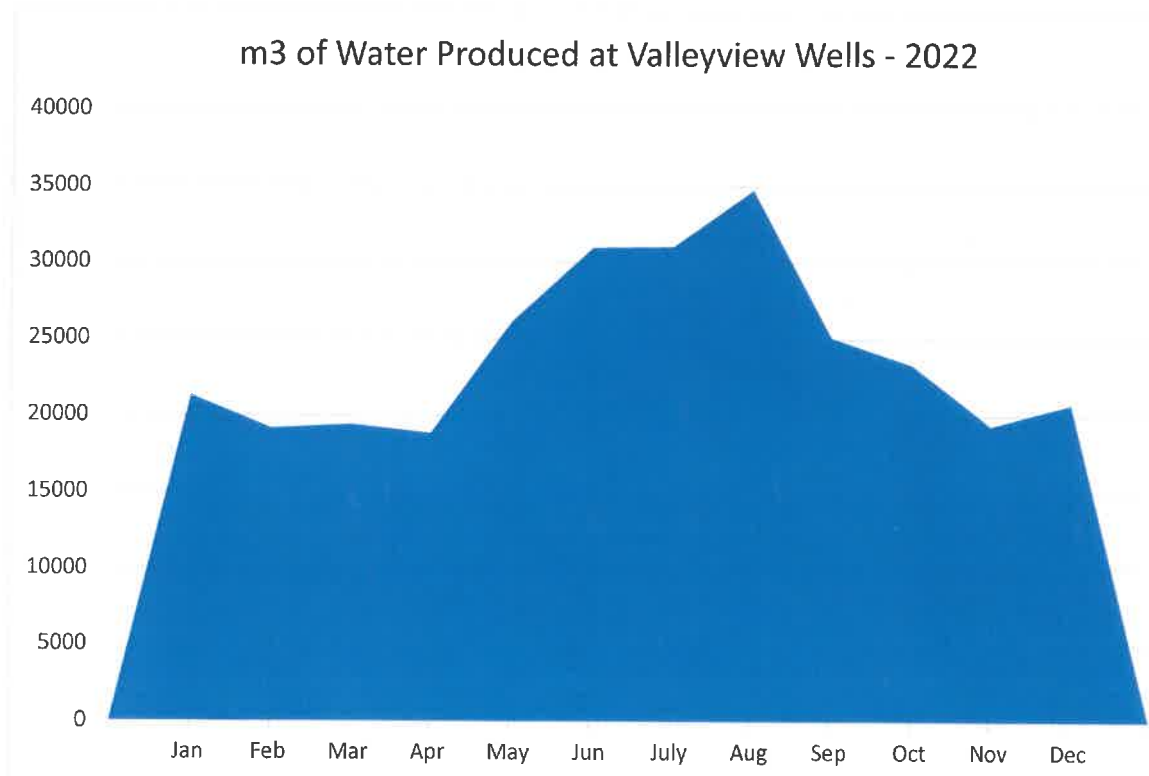


Ordano Station

VII. Facts and Figures

Water Production

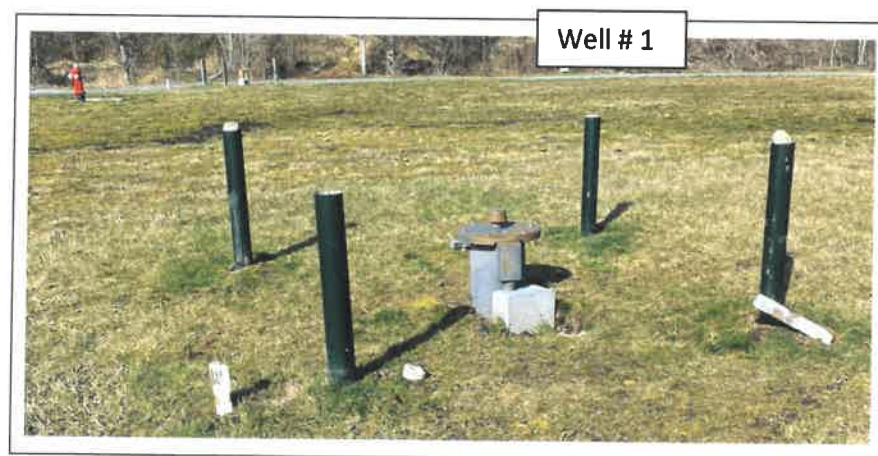
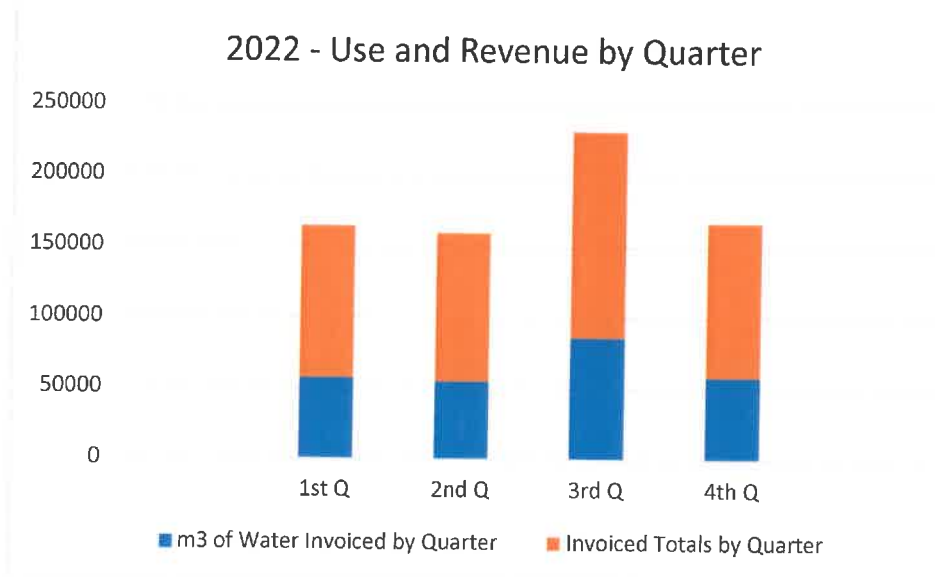
Cowichan Bay Waterworks District produces approximately 600 m³ of water per day in the winter, approximately 1200 m³ of water per day in the spring/fall seasons and approximately 1500 m³ of water per day in the summer [slightly under 300 000 m³/year].



Water Consumption

Cowichan Bay Waterworks District [CBWD] consumes approximately 257 000 m³ of water on an annual basis. CBWD has a leak monitoring program to match production to consumption, factoring in leak adjustments, water main flushing, water for fire practice, the sewer plant, fire fighting, etc. Further work will be done to track water usage, monitor leaks, collect revenue and reduce waste.

Trustees from Cowichan Bay Waterworks District and Cowichan Bay Fire Improvement District are working together on solutions to account for water used in fire fighting to residents outside of the water improvement district.



VIII. Looking Ahead – 2023 and Beyond

Looking Ahead

2023 will be busy, with the implementation of the Master Plan and Source Water Protection Plan being top priorities. The Trustees prepared an Action Plan based upon the recommendations in the Master Plan, which is attached in Schedule B.

Two to three capital projects are planned, upgrading water mains, one along Cowichan Bay Road, which will improve fire flow to the Village, another on Wessex Rd, and along lower Wilmot.

A new well site is being investigated in order to increase supply. Potential locations are in the vicinity of Valleyview, given the geological conditions of that area. Cowichan Bay Waterworks has initiated consultation with Cowichan Tribes.

The semi annual maintenance of the chlorination system at the Valleyview Station will occur to ensure continued operation of this key component of the water distribution system.

More work on toll rates will occur. The toll rate model was amended in 2022 to cover the cost of production and to encourage conservation and limit water waste. The 2023 toll rates were further amended to continue working towards this goal. As the year progresses, we will monitor the effectiveness of these policy changes and amend accordingly in 2024.

Previously rates were based upon multiple categories of residential and commercial use. As questions were asked about these categories, it became apparent that improvements could be made. The 2023 toll and tax models are based upon the premise that the cost of water production is the same no matter whom the user. The higher the water use, the more maintenance is required, the more electricity is used, the more chlorine is consumed and equipment replacement rates are higher, resulting in increased capital replacement. Tax and toll revenue is the income source for these operational and capital expenditures.



IX. History and Expansion of the Water Distribution System

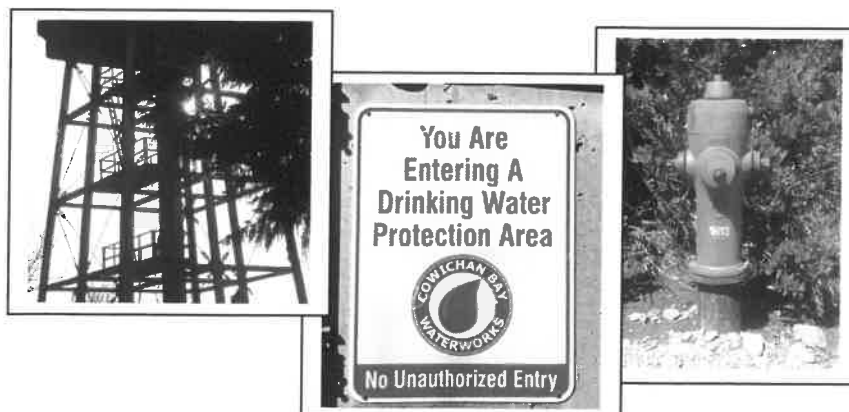
Cowichan Bay Waterworks was established by Letters Patent on August 12, 1946.

At that time the District originally provided both water and fire protection. The Fire Improvement District was subsequently created in 1967 in order to provide fire fighting services for areas beyond the smaller Cowichan Bay Waterworks District boundary.

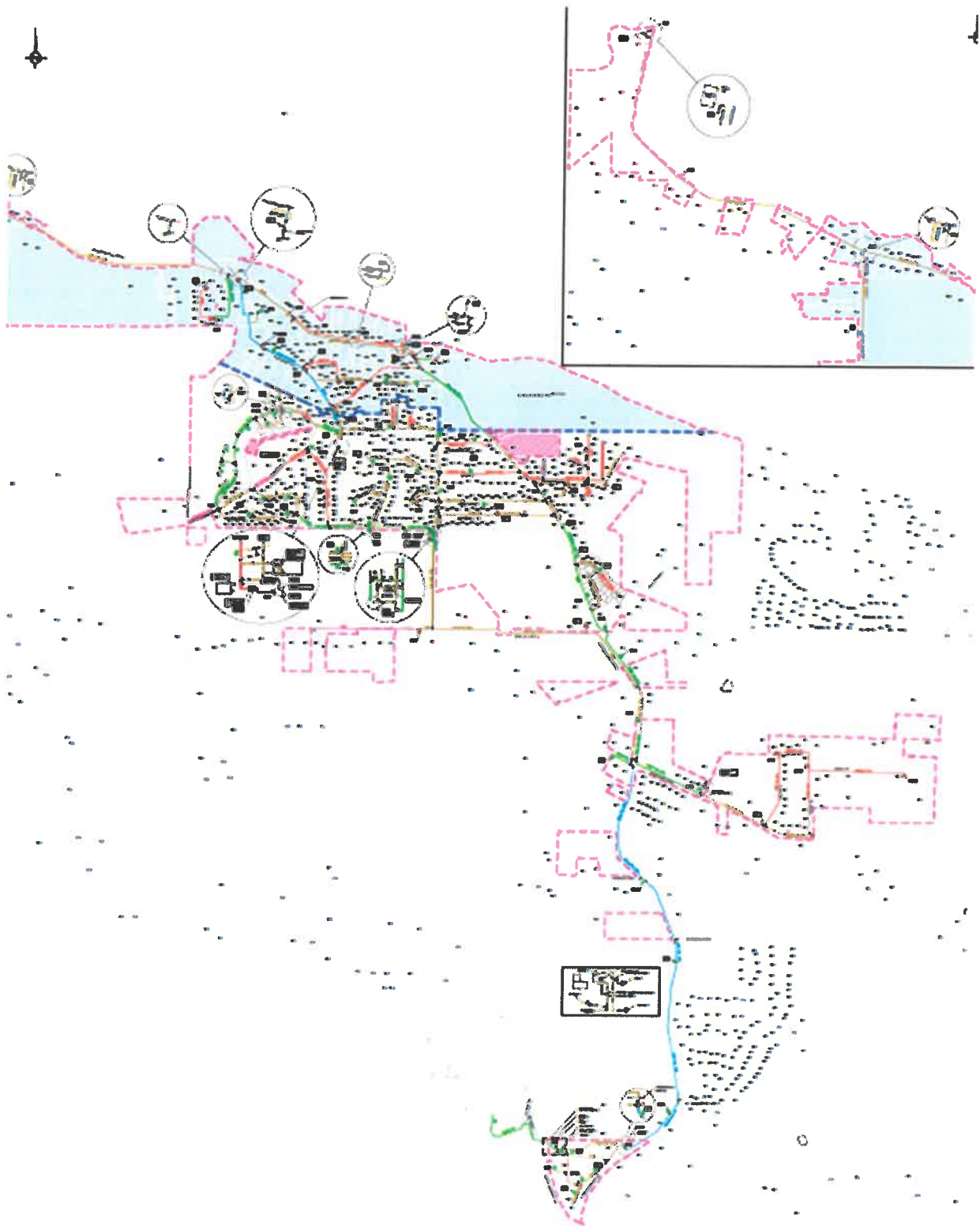
As the area has grown, the system has expanded to accommodate population growth, mainly by developer contributions.

In the last 15 years, the following infrastructure upgrades have been added to the system:

- 2008 - the first well at Valleyview Centre was acquired from the Owners for \$1.
- 2012 – CBWD drilled the second well at Valleyview
- 2014 - a Pressure Reducing Valve was installed by Cowichan Bay Investments, between the lower and upper pressure zones along Cowichan Bay Road, to accommodate the Botwood Lane townhouses.
- 2015 - a second Pressure Reducing Valve was installed by the Developer along Wilmot Road to accommodate the Cannery condominiums.
- 2015 - the new big blue Reservoir was constructed at Ordano Station by contributions from Developers to accommodate the lower Vee Rd subdivision and the Cannery condos.
- 2022 - a Fire Pump and Booster Pump station was constructed by Cowichan Bay Estates to accommodate the upper Vee Road lots. A Latecomer Agreement is in place for the next fifteen years in order for CBE to recover some of the costs of constructing this project. The Latecomer Agreement Bylaw Area map outlines which parcels in the upper pressure zone the bylaw applies. The Latecomer Area map is on the website under Customer Service (Development / Subdivision sub tab) on the website.



X. Appendix 1 – Map of the Cowichan Bay Waterworks District



XI. Appendix 2 – 2022-2024 Action Plan [from the Master Plan]

Cowichan Bay Waterworks District	2022- 2024 Action Plan Summary
Project by Priority	Status
1. Office Filing System	Complete
2. Demolish / Dispose George Rd Station	In progress
3. Source Water Protection Plan	Complete
4. Telegraph Reservoir Repairs	Complete
5. System Water Quality Review / Pavenham Well Commission	In progress
6. Scada – Ordano	In progress [warranty]
7. Scada Repairs – Valleyview	In progress
8. Office Heat Pump	Complete
9. Safety Upgrades	In progress
10. Hydrant Upgrades	In progress
11. Valleyview Transducers	Planning phase
12. Back up Generator	Assess
13. New Water Source	Consultation initiated
14. Chlorine Analyzer Bi-annual Maintenance	Complete
15. Cubic Feet to Cubic Meter Replacement	In progress
16. Valve Assessment / Repair / Upgrade / Mapping	In progress
17. Ordano Chlorine Analyzer – no longer necessary	Removed
18. Valleyview Station Upgrade	Planning phase with Valleyview Mall upgrade
19. Flush Stations	To do
20. SWPP Recommendations	In progress
21. Cow Bay Rd [Hecate to Botwood]	Planning phase
22. Cow Bay Rd [Glen to Longwood]	Design phase
23. Wilmot Rd [Pritchard to Cow Bay Rd]	Design phase
24. Kidd Well Assessment/Decommission	Planning phase
25. Demolish Ordano Shed	To do
26. Wessex Road	Design phase
27. Bicks Rd	Design phase
28. Pavenham Rd – 1964	To do
29. Glen Rd [east of McGill] - 1964	To do
30. George Rd – 1965	To do
31. Longwood Rd – 1970	To do
32. Fenwick Rd – 1972	To do
33. Austin Place – 1972	To do
34. McGill Rd – 1974	To do
35. Glen Rd [west of McGill] - 1974	To do
36. Alder Glen Rd – 1974	To do
37. Maple Glen Rd - 1976	To do
38. Wilmot Rd [George to Falcon]	To do
39. Nelson Rd [prior to Booster]	To do
40. Woods Rd [prior to Booster]	To do
41. Sears Rd [prior to Booster]	To do
42. Telegraph Booster Station [after AC pipe replacements]	To do
43. Demolish Pavenham cement reservoir	To do

XII. Appendix 3 - Financial Statements

The complete 2021 Annual Audit, an MNP audit of the consolidated financial statements of the Cowichan Bay Waterworks District follows and is also available as a separate document on the website – www.cowichanbaywater.com.

(attached hereto)



Cowichan Bay Waterworks District

2022 Audit Findings

Report to the Board of Trustees

December 31, 2022

Cory Vanderhorst, CPA, CA
T: 250.734.4319
E: cory.vanderhorst@mnp.ca



Wherever business takes you

[MNP.ca](https://mnp.ca)

Overview

We are pleased to submit to you this Audit Findings Report (the "Report") for discussion of our audit of the consolidated financial statements of Cowichan Bay Waterworks District (the "District") as at December 31, 2022 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Board of Trustees.

As auditors, we report to the Board on the results of our examination of the consolidated financial statements of the District as at and for the year ended December 31, 2022. The purpose of this Report is to assist you, as members of the Board of Trustees, in your review of the results of our audit.

This Report is intended solely for the information and use of the Board of Trustees and management and should not be distributed to or used by any other parties than these specified parties.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Engagement Status

We have substantially completed our audit of the consolidated financial statements of the District which has been carried out in accordance with Canadian generally accepted auditing standards and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Discussion of subsequent events with the Board of Trustees
- The Board of Trustees review and approval of the consolidated financial statements

No significant limitations were placed on the scope or timing of our audit.

Independent Auditor's Report



We expect to have the above procedures completed and to release our Independent Auditor's Report on April 17, 2023.





Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the Board of the District. A draft copy of our proposed Independent Auditor's Report has been included in the draft financial statements. The matters disclosed in the Independent Auditor's Report are discussed further in the relevant sections of the Report.

Audit Reporting Matters

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the consolidated financial statements considered separately.

Significant Audit, Accounting and Reporting Matters

Area		Comments
	Changes from Audit Service Plan	There were no deviations from the Audit Service Plan previously provided to you.
	Final Materiality	Final materiality used for our audit was \$25,000 for December 31, 2022, and \$23,000 for December 31, 2021.
	Identified or Suspected Fraud	While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.
	Identified or Suspected Non-Compliance with Laws and Regulations	Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the consolidated financial statements.
	Matters Arising in Connection with Related Parties	No significant matters arose during the course of our audit in connection with related parties of the District.

Area	Comments
	<p>Auditor's Views of Significant Accounting Practices, Accounting Policies and Accounting Estimates</p> <p>The application of Canadian public sector accounting standards allows and requires the District to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.</p> <p>As auditors, we are uniquely positioned to provide open and objective feedback regarding your District's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.</p> <p>The accounting policies used by the District are appropriate and have been consistently applied.</p>
	<p>Financial Statement Disclosures</p> <p>The disclosures made in the notes to the consolidated financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the consolidated financial statements.</p>
	<p>Significant Deficiencies in Internal Control</p> <p>While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.</p>
	<p>Matters Arising From Discussions with Management</p> <p>There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.</p>

Other Areas

Area	Comments
Auditor Independence	We confirm to the Board of Trustees that we are independent of the District. Our letter to the Board of Trustees discussing our independence is attached to this report.
Management Representations	We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. This letter, provided by management, has been included as additional material to this report.
Summary of Significant Differences	No significant differences were proposed to management with respect to the December 31, 2022 consolidated financial statements.
Renewal Reserve	Historically the District has allocated 80% of the annual surplus (which includes the parcel tax) to the renewal reserve. We noted there was no amount allocated to the renewal reserve in 2022 (except interest). Generally the purpose of the parcel tax is to fund future tangible capital assets.

We appreciate having the opportunity to meet with you and respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

MNP LLP

MNP LLP

Chartered Professional Accountants

April 17, 2023

Board of Trustees
Cowichan Bay Waterworks District
1760 Pavenham
Duncan, BC V0R 1N1

Dear Sirs/Mesdames:

We have been engaged to audit the consolidated financial statements of Cowichan Bay Waterworks District (the "District") as at December 31, 2022 and for the year then ended.

CAS 260 Communication With Those Charged With Governance requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the District and its related entities or persons in financial reporting oversight roles at the District and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the District and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2022 to April 17, 2023.

We hereby confirm that MNP is independent with respect to the District within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia as of April 17, 2023.

This report is intended solely for the use of Board of Trustees, management and others within the District and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



MNP LLP
Chartered Professional Accountants

Cowichan Bay Waterworks District
Consolidated Financial Statements
December 31, 2022

Cowichan Bay Waterworks District

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For the year ended December 31, 2022

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Management's Responsibility

To the Board of Trustees of Cowichan Bay Waterworks District:

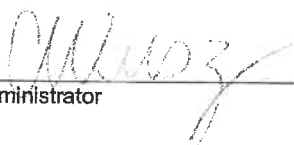
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate 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.

April 17, 2023



Administrator

To the Board of Trustees of Cowichan Bay Waterworks District:

Opinion

We have audited the consolidated financial statements of Cowichan Bay Waterworks District (the "District"), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statements of operations and accumulated surplus, including related schedules, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2022, and the results of its consolidated operations and its consolidated 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 Consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 auditor's report to the related disclosures in the consolidated 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 District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Nanaimo, British Columbia

MNP LLP

April 17, 2023

Chartered Professional Accountants

Cowichan Bay Waterworks District

Consolidated Statement of Financial Position

As at December 31, 2022

	2022	2021
Financial Assets		
Cash and cash equivalents	268,952	464,358
Accounts receivable (Note 3)	180,754	113,310
Portfolio investments (Note 4)	2,128,369	1,692,763
	2,578,075	2,270,431
Financial Liabilities		
Accounts payable and accrued liabilities	58,102	87,587
Deferred revenue	119,579	35,995
	177,681	123,582
Net Financial Assets	2,400,394	2,146,849
Non-Financial Assets		
Prepaid expenses	21,195	17,393
Inventory	25,011	17,331
Tangible capital assets (Note 5) (Schedule 1)	3,711,278	3,795,446
	3,757,484	3,830,170
Accumulated Surplus (Note 6)	6,157,878	5,977,019

Approved on behalf of the Board of Trustees


Trustee


Trustee

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

Cowichan Bay Waterworks District

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2022

	2022 Budget (Note 9)	2022	2021
Revenues			
Sale of service	441,835	466,768	415,596
Parcel taxes	181,281	188,850	142,053
Capital expenditure charge	-	79,470	4,000
Contributed tangible capital assets	-	-	6,268
Connection and service fees	5,000	41,037	8,265
Investment income	-	39,326	13,048
Other income	17,815	10,591	9,262
Rent	9,600	8,100	7,200
	655,531	834,142	605,692
Expenses			
Operating (Schedule 3)	190,800	345,993	312,522
Administration (Schedule 3)	283,450	307,290	209,882
	474,250	653,283	522,404
Annual surplus	181,281	180,859	83,289
Accumulated surplus - beginning of year	5,977,019	5,977,019	5,893,730
Accumulated surplus - end of year	6,158,300	6,157,878	5,977,019

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

Cowichan Bay Waterworks District
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2022

	2022 Budget (Note 9)	2022	2021
Annual surplus	181,281	180,859	83,289
Acquisition of tangible capital assets	(1,293,000)	(11,630)	(17,260)
Disposal of tangible capital assets	-	-	664
Amortization	-	95,797	106,629
Change in inventory	-	(7,680)	4,269
Change in prepaid expenses	-	(3,804)	(9,036)
Change in net financial assets	(1,111,719)	253,544	168,555
Net financial assets, beginning of year	2,146,849	2,146,849	1,978,294
Net financial assets, end of year	1,035,130	2,400,393	2,146,849

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

Cowichan Bay Waterworks District
Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	2022	2021
<hr/>		
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus	180,859	83,289
Amortization	95,797	106,629
Disposal of tangible capital assets	-	664
Contributed tangible capital assets	-	(6,268)
	276,656	184,314
Changes in working capital		
Accounts receivable	(67,444)	24,939
Prepaid expenses	(3,802)	(9,036)
Inventory	(7,680)	4,269
Accounts payable and accrued liabilities	(29,487)	42,639
Deferred revenue	83,585	11,593
	251,828	258,718
Capital activities		
Acquisition of tangible capital assets	(11,630)	(10,992)
Investing activities		
Investments in portfolio investments	(435,606)	(26,852)
Increase (decrease) in cash resources	(195,407)	220,874
Cash resources, beginning of year	464,359	243,485
Cash resources, end of year	268,952	464,359

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

Cowichan Bay Waterworks District
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

1. Incorporation and commencement of operations

The Cowichan Bay Waterworks District (the "District") was incorporated on August 12, 1946 under the Water 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 Cowichan Bay and to maintain and repair all wells and water lines associated with that service. Under Section 149(1)(c) of the Income Tax Act, the District is exempt from taxation.

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

Sale of service revenue for water services are recognized on a quarterly basis once service has been provided. Parcel taxes are recognized upon issuance of tax notices for the fiscal year. Connection and service fees, interest and other income is recognized as revenue as earned on an accrual basis and collection is assured. Rent is recognized monthly in accordance with the lease agreements. Capital expenditure charge (CEC) fees are recorded as revenue when amounts are determinable, and collectability is assured. Assets contributed by developers are recognized as revenue when ownership transfers to the District.

Cash and cash equivalents

Cash and cash equivalents include cash, money market investments and short-term deposits with maturities of one to three months.

Portfolio investments

The District has investments in term deposits that have a period to maturity of greater than three months at the time of acquisition. These investments are not quoted in an active market and are reported at amortized cost, and the associated transaction costs are added to the carrying value of these investments upon initial recognition.

Inventory

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

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, 2022.

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, 2022 the District has not recorded any liability for contaminated sites as no sites exist.

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

Measurement uncertainty

The preparation of consolidated 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.

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
Main facilities	5 to 60 years
Furniture and fixtures	10 years
Distribution network	50 to 80 years
Technology	5 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. Assets under construction are not amortized until put into use.

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, Equity in Tangible Capital Assets, Renewal Reserve Fund and Capital Expense Charge Fund ("CEC").

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

Equity in Tangible Capital Assets 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.

Cowichan Bay Waterworks District
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

2. Significant accounting policies (continued from previous page)

Fund accounting (Continued from previous page)

The Renewal Reserve Fund consists of funds established by the Board of the District, by bylaw 240, 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 Capital Expense Charge Fund consists of funds established by the Board of the District, by bylaw 226, 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.

Recent accounting pronouncements

PS 3280 *Asset Retirement Obligations*, issued August 2018, establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets and is effective for the District as of January 1, 2023. A liability will be recognized when, as at the financial reporting date:

- a) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- b) The past transaction or event giving rise to the liability has occurred;
- c) It is expected that future economic benefits will be given up; and
- d) A reasonable estimate of the amount can be made.

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Statement of Operations.

Management is in the process of assessing the impact of adopting this standard on the District's financial results.

3. Accounts receivable

	2022	2021
Trade receivables	140,182	100,254
Goods and Services Tax receivable	10,431	6,969
Interest receivable	30,141	6,087
	180,754	113,310

Cowichan Bay Waterworks District
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

4. Portfolio investments

	2022	2021
12-month term deposit with 2.75% interest rate due June 2023	1,111,410	-
12-month term deposit with 2.75% interest rate due June 2023	670,959	-
12-month term deposit with 2.70% interest rate due July 2023	346,000	-
18-month term deposit with 0.95% interest rate, due July 2022	-	487,027
12-month term deposit with 0.70% interest rate, due April 2022	-	524,635
12-month term deposit with 0.70% interest rate, due April 2022	-	512,753
12-month term deposit with 0.05% interest rate, due November 2022	-	86,033
12-month term deposit with 0.85% interest rate, due September 2022	-	16,187
12-month term deposit with 0.85% interest rate, due September 2022	-	62,128
12-month term deposit with 0.75% interest rate, due September 2022	-	4,000
	2,128,369	1,692,763

5. Tangible capital assets

See Schedule 1 for more information.

During 2022 the District acquired \$NIL of contributed tangible capital assets (2021 - \$6,268).

6. Accumulated surplus

The District segregates its accumulated surplus into the following categories:

	2022	2021
Fund balances		
Operating Fund	681,641	501,652
Equity in Tangible Capital Assets	3,711,278	3,795,446
Restricted Renewal Reserve Fund – Schedule 2	1,037,721	1,018,895
Restricted Capital Expense Charge Fund – Schedule 2	727,238	661,025
Total fund balances	6,157,878	5,977,018

Cowichan Bay Waterworks District
Notes to the Consolidated Financial Statements
For the year ended December 31, 2022

7. Financial instruments

The District, as part of its operations, carries a number of financial instruments. The District's financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments 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.

8. 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

9. Budget figures

Budget figures represent the budget adopted by the Board on December 9, 2021. The following schedule reconciles the consolidated surplus as presented in the budget approved by the Board to the consolidated surplus for the year as shown on the Consolidated Statement of Operations and Accumulated Surplus

Budget, as approved by the Board	\$(999,543)
Transfer from prior year surplus	(112,176)
<u>Purchase of tangible capital assets</u>	<u>1,293,000</u>
<u>Per Consolidated Statement of Operations and Accumulated Surplus</u>	<u>\$181,281</u>

Cowichan Bay Waterworks District
Schedule of Tangible Capital Assets

For the year ended December 31, 2022

Schedule 1

	Construction in progress	Land	Main facilities	Furniture and fixtures	Distribution network	Technology	2022	2021
Cost								
Balance, beginning of year	-	81,156	1,667,300	5,856	3,773,842	52,934	5,581,088	5,575,505
Add:								
Additions during the year	-	-	11,630	-	-	-	11,630	17,260
Less:								
Disposals during the year	-	-	-	-	-	-	-	(11,677)
Balance, end of year	-	81,156	1,678,930	5,856	3,773,842	52,934	5,592,717	5,581,088
Accumulated amortization								
Balance, beginning of year	-	-	758,305	5,856	973,283	48,198	1,785,642	1,690,026
Add:								
Amortization	-	-	42,714	-	50,445	2,639	95,797	106,629
Less:								
Accumulated amortization on disposals	-	-	-	-	-	-	-	(11,013)
Balance, end of year	-	-	801,019	5,856	1,023,728	50,836	1,881,439	1,785,642
Net book value of tangible capital assets	-	81,156	877,911	-	2,750,113	2,098	3,711,278	3,795,446

Cowichan Bay Waterworks District

Schedule of Reserve Funds

For the year ended December 31, 2022

Schedule 2

	Restricted CEC Reserve	Restricted Renewal Reserve	Totals	
			2022	2021
Balance, beginning of year	661,025	1,018,895	1,679,920	1,662,873
Transfer in	54,000	-	54,000	-
Capital levy charges	-	-	-	4,000
Interest income	12,213	18,826	31,039	13,047
Transfer out	-	-	-	-
Balance, end of year	727,238	1,037,721	1,764,959	1,679,920

Cowichan Bay Waterworks District
Schedule of Operating and Administration Expenses
For the year ended December 31, 2022

Schedule 3

	2022 Budget (Note 9)	2022	2021
Operating expenses			
Amortization	-	95,797	106,629
Chlorination costs	4,400	5,091	2,847
Contractor costs	92,500	134,592	99,107
Engineering services	15,000	18,845	33,113
Laboratory and testing services	2,075	1,100	-
Materials, rentals and subcontracts (recovery)	30,000	45,353	17,288
Power charges	20,000	24,308	23,238
Repair and installation labour	-	-	4,793
Repairs and maintenance	23,000	15,117	21,981
Telephone monitoring and communication	3,825	5,790	3,299
Vehicle allowance	-	-	227
Total operating expenses	190,800	345,993	312,522
Administration expenses			
Audit and legal fees	22,700	31,341	25,885
Computer services	15,000	14,793	14,035
Insurance	30,000	31,491	18,701
Memberships, conventions and seminars	7,100	10,152	5,477
Miscellaneous	12,550	578	1,040
Postage and office supplies	7,300	18,456	15,148
Repairs and maintenance	1,000	1,960	833
Salaries, contracts and payroll costs	173,000	183,107	116,720
Trustees' remuneration	14,200	13,200	9,389
Utilities and telephone	600	892	1,169
Vehicle allowance	-	1,320	1,485
Total administration expenses	283,450	307,290	209,882