

**Cowichan Bay Waterworks District**  
**Consolidated Financial Statements**  
*December 31, 2021*

# Cowichan Bay Waterworks District

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*For the year ended December 31, 2021*

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## Management's Responsibility

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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.

March 14, 2022

  
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Administrator

## Independent Auditor's Report

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, 2021, 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, 2021, 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

March 14, 2022

Chartered Professional Accountants

# Cowichan Bay Waterworks District

## Consolidated Statement of Financial Position

As at December 31, 2021

	2021	2020 <i>Restated - Note 11</i>
<b>Financial Assets</b>		
Cash and cash equivalents	464,358	243,485
Accounts receivable (Note 3)	113,310	138,249
Portfolio investments (Note 4)	1,692,763	1,665,911
	<b>2,270,431</b>	<b>2,047,645</b>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	87,588	44,949
Deferred revenue	35,995	24,402
	<b>123,583</b>	<b>69,351</b>
<b>Net Financial Assets</b>	<b>2,146,848</b>	<b>1,978,294</b>
<b>Non-Financial Assets</b>		
Prepaid expenses	17,393	8,357
Inventory	17,331	21,600
Tangible capital assets (Note 5) (Schedule 1)	3,795,446	3,885,479
	<b>3,830,170</b>	<b>3,915,436</b>
<b>Accumulated Surplus (Note 6)</b>	<b>5,977,018</b>	<b>5,893,730</b>

Significant event (Note 10)

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, 2021*

	2021 <i>Budget (Note 9)</i>	2021	2020 <i>Restated - Note 11</i>
<b>Revenues</b>			
Sale of service	373,762	415,596	382,248
Parcel taxes	142,038	142,053	135,393
Capital expenditure charge	-	4,000	-
Contributed tangible capital assets	-	6,268	-
Connection and service fees	12,000	8,265	5,239
Investment income	15,000	13,048	27,301
Other income	5,100	9,262	7,198
Rent	7,200	7,200	5,400
	<b>555,100</b>	<b>605,692</b>	562,779
<b>Expenses</b>			
Operating ( <i>Schedule 3</i> )	297,844	312,522	262,492
Administration ( <i>Schedule 3</i> )	200,333	209,882	186,129
	<b>498,177</b>	<b>522,404</b>	448,621
<b>Annual surplus</b>	<b>56,923</b>	<b>83,288</b>	114,158
<b>Accumulated surplus - beginning of year (Restated - Note 11)</b>	<b>5,893,730</b>	<b>5,893,730</b>	5,779,572
<b>Accumulated surplus - end of year</b>	<b>5,950,653</b>	<b>5,977,018</b>	5,893,730

*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, 2021*

	<i>2021</i>	<i>2021</i>	<i>2020</i>
	<i>Budget</i>		<i>Restated -</i>
	<i>(Note 9)</i>		<i>Note 11</i>
<b>Annual surplus</b>	<b>56,923</b>	<b>83,288</b>	114,158
Acquisition of tangible capital assets	<b>(35,912)</b>	<b>(17,260)</b>	(56,966)
Disposal of tangible capital assets	-	<b>664</b>	-
Amortization	<b>93,500</b>	<b>106,629</b>	106,402
Change in inventory	-	<b>4,269</b>	(8,095)
Change in prepaid expenses	-	<b>(9,036)</b>	1,659
<b>Change in net financial assets</b>	<b>114,511</b>	<b>168,554</b>	157,158
<b>Net financial assets, beginning of year</b>	<b>1,978,294</b>	<b>1,978,294</b>	1,821,136
<b>Net financial assets, end of year</b>	<b>2,092,805</b>	<b>2,146,848</b>	1,978,294

*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, 2021*

	<b>2021</b>	<b>2020</b> <i>Restated - Note 11</i>
<hr/>		
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Annual surplus	<b>83,288</b>	114,158
Amortization	<b>106,629</b>	106,402
Disposal of tangible capital assets	<b>664</b>	-
Contributed tangible capital assets	<b>(6,268)</b>	-
	<b>184,313</b>	220,560
Changes in working capital		
Accounts receivable	<b>24,939</b>	(14,661)
Prepaid expenses	<b>(9,036)</b>	1,658
Inventory	<b>4,269</b>	(8,095)
Accounts payable and accrued liabilities	<b>42,639</b>	12,429
Deferred revenue	<b>11,593</b>	(24,177)
	<b>258,717</b>	187,714
<b>Capital activities</b>		
Acquisition of tangible capital assets	<b>(10,992)</b>	(56,966)
<b>Investing activities</b>		
Investments in portfolio investments	<b>(26,852)</b>	(104,801)
<b>Increase in cash resources</b>	<b>220,873</b>	25,947
<b>Cash resources, beginning of year</b>	<b>243,485</b>	217,538
<b>Cash resources, end of year</b>	<b>464,358</b>	243,485

*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, 2021

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### 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, 2021.

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, 2021 the District has not recorded any liability for contaminated sites as no sites exist.

# Cowichan Bay Waterworks District

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 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:

	<b>Rate</b>
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, 2021*

### 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.

### 3. Accounts receivable

	2021	2020 <i>Restated - Note 11</i>
Trade receivables	100,254	99,266
Goods and Services Tax receivable	6,969	6,800
Interest receivable	6,087	15,892
	<b>113,310</b>	<b>138,249</b>

### 4. Portfolio investments

	2021	2020
18-month term deposit with 0.95% interest rate, due July 2022	487,027	479,057
12-month term deposit with 0.70% interest rate, due April 2022	524,635	505,923
12-month term deposit with 0.70% interest rate, due April 2022	512,753	517,647
12-month term deposit with 0.05% interest rate, due November 2022	86,033	61,693
12-month term deposit with 0.85% interest rate, due September 2022	16,187	16,074
12-month term deposit with 0.85% interest rate, due September 2022	62,128	85,517
12-month term deposit with 0.75% interest rate, due September 2022	4,000	-
	<b>1,692,763</b>	<b>1,665,911</b>

# Cowichan Bay Waterworks District

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 5. Tangible capital assets

			2021	2020
				Restated –
				Note 11
	Cost	Accumulated	Net book	Net book
Construction in progress	-	-	-	665
Land	81,156	-	81,156	81,156
Main facilities	1,667,299	758,305	908,994	944,760
Furniture and fixtures	5,856	5,856	-	-
Distribution network	3,773,841	973,283	2,800,558	2,844,696
Technology	52,934	48,196	4,738	14,202
	5,581,086	1,785,640	3,795,446	3,885,479

See Schedule 1 for more information.

During 2021 the District acquired \$6,268 of contributed tangible capital assets (2020 - nil).

### 6. Accumulated surplus

The District segregates its accumulated surplus into the following categories:

	2021	2020
		Restated -
		Note 11
<b>Fund balances</b>		
Operating Fund	501,652	345,378
Equity in Tangible Capital Assets	3,795,446	3,885,479
Restricted Renewal Reserve Fund – Schedule 2	1,018,895	1,011,687
Restricted Capital Expense Charge Fund – Schedule 2	661,025	651,186
Total fund balances	5,977,018	5,893,730

### 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.

# Cowichan Bay Waterworks District

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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### 9. Budget figures

Budget figures represent the budget adopted by the Board on November 26, 2020. The budgeted surplus as approved by the Board agrees to the surplus for the year as shown on the Consolidated Statement of Operations and Accumulated Surplus.

### 10. Significant event

In early 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on organizations through the restrictions put in place by the Canadian, provincial, and municipal governments regarding travel, municipality operations and isolation/quarantine orders. While there was minimal impact on fiscal 2021, it is unknown the extent of the impact the COVID-19 outbreak may have on the Cowichan Bay Waterworks District as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, office closures or disruptions, and isolation/quarantine measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

### 11. Prior period adjustment

During the year, the District discovered that tangible capital assets were not contributed to the District from 2018 to 2020 for which revenue had been recognized. In addition, reimbursable expenses were included in the calculation of the operating surplus in the prior year in error. A prior period adjustment has been recorded at December 31, 2020, resulting in the following changes:

Accounts receivable increase	\$8,133
Tangible capital assets decrease	67,190
Revenue decrease	6,316
Expenses decrease	8,133
Annual surplus increase	1,815
Accumulated surplus decrease	60,874

**Cowichan Bay Waterworks District**  
**Schedule of Tangible Capital Assets**

*For the year ended December 31, 2021*

**Schedule 1**

	Construction in progress	Land	Main facilities	Furniture and fixtures	Distribution network	Technology	2021	2020 <i>Restated - Note 11</i>
<b>Cost</b>								
Balance, beginning of year	665	81,156	1,661,937	5,856	3,767,573	58,318	<b>5,575,505</b>	5,518,539
Add:								
Additions during the year	-	-	10,992	-	6,268	-	<b>17,260</b>	56,966
Less:								
Disposals during the year	(665)	-	(5,630)	-	-	(5,384)	<b>(11,679)</b>	-
Balance, end of year	-	<b>81,156</b>	<b>1,667,299</b>	<b>5,856</b>	<b>3,773,841</b>	<b>52,934</b>	<b>5,581,086</b>	<b>5,575,505</b>
<b>Accumulated amortization</b>								
Balance, beginning of year	-	-	717,177	5,856	922,877	44,116	<b>1,690,026</b>	1,583,624
Add:								
Amortization	-	-	46,758	-	50,406	9,465	<b>106,629</b>	106,402
Less:								
Accumulated amortization on disposals	-	-	(5,630)	-	-	(5,385)	<b>(11,015)</b>	-
Balance, end of year	-	-	<b>758,305</b>	<b>5,856</b>	<b>973,283</b>	<b>48,196</b>	<b>1,785,640</b>	<b>1,690,026</b>
<b>Net book value of tangible capital assets</b>	-	<b>81,156</b>	<b>908,994</b>	-	<b>2,800,558</b>	<b>4,738</b>	<b>3,795,446</b>	<b>3,885,479</b>

# Cowichan Bay Waterworks District

## Schedule of Reserve Funds

*For the year ended December 31, 2021*

### Schedule 2

			Totals	
	Restricted CEC Reserve	Restricted Renewal Reserve	2021	2020
<b>Balance, beginning of year</b>	651,186	1,011,687	<b>1,662,873</b>	1,311,735
Transfer in	-	-	-	393,623
Capital levy charges	4,000	-	<b>4,000</b>	-
Interest income	5,839	7,208	<b>13,047</b>	17,615
Transfer out	-	-	-	(60,100)
<b>Balance, end of year</b>	<b>661,025</b>	<b>1,018,895</b>	<b>1,679,920</b>	1,662,873



**Cowichan Bay Waterworks District**  
**Schedule of Operating and Administration Expenses**  
*For the year ended December 31, 2021*

**Schedule 3**

	2021	2021	2020
	<i>Budget</i>		<i>Restated - Note</i>
	<i>(Note 9)</i>		<i>11</i>
<b>Operating expenses</b>			
Amortization	93,500	106,629	106,402
Chlorination costs	4,000	2,847	4,377
Contractor costs	92,500	99,107	93,130
Engineering services	20,000	33,113	4,422
Laboratory and testing services	-	-	1,905
Materials, rentals and subcontracts (recovery)	37,625	17,288	(829)
Power charges	25,500	23,238	22,620
Repair and installation labour	4,237	4,793	6,297
Repairs and maintenance	16,500	21,981	19,382
Telephone monitoring and communication	3,825	3,299	3,810
Vehicle allowance	157	227	976
<b>Total operating expenses</b>	<b>297,844</b>	<b>312,522</b>	<b>262,492</b>
<b>Administration expenses</b>			
Audit and legal fees	20,000	25,885	14,981
Computer services	22,300	14,035	22,921
Insurance	18,200	18,701	15,880
Memberships, conventions and seminars	8,000	5,477	4,152
Miscellaneous	1,100	1,040	2,341
Postage and office supplies	9,335	15,148	12,910
Repairs and maintenance	4,600	833	270
Salaries, contracts and payroll costs	104,001	116,720	102,324
Trustees' remuneration	6,140	9,389	5,263
Utilities and telephone	5,460	1,169	4,001
Vehicle allowance	1,197	1,485	1,086
<b>Total administration expenses</b>	<b>200,333</b>	<b>209,882</b>	<b>186,129</b>