

**KEMP LAKE  
WATERWORKS DISTRICT  
FINANCIAL STATEMENTS**

**Years ended December 31, 2017 and 2016**

# KEMP LAKE WATERWORKS DISTRICT INDEX TO FINANCIAL STATEMENTS

Year ended December 31, 2017

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## INDEPENDENT AUDITOR'S REPORT

To: The Members of Kemp Lake Waterworks District

We have audited the accompanying financial statements of Kemp Lake Waterworks District, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and accumulated surplus, changes in net financial liabilities, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the management's preparation and fair presentation of the 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 management'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kemp Lake Waterworks District as at December 31, 2017, and the results of its operations, changes in net financial liabilities and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in black ink that reads 'Hutcheson &amp; Co LLP'. The signature is written in a cursive, flowing style.

Victoria, British Columbia  
April 25, 2018

Chartered Professional Accountants

# KEMP LAKE WATERWORKS DISTRICT STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2017

	2017 Total	2016 Total
<b>Financial assets</b>		
Cash and cash equivalents (note 3)	\$ 326,710	\$ 293,361
Short term investments (note 4)	-	59,241
Accounts receivable (note 5)	96,005	86,798
	<b>422,715</b>	<b>439,400</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	10,761	10,248
Deferred designated revenue (note 6)	477,180	449,186
	<b>487,941</b>	<b>459,434</b>
<b>Net financial liabilities</b>	<b>(65,226)</b>	<b>(20,034)</b>
<b>Non-financial assets</b>		
Tangible capital assets (note 7)	1,085,437	1,127,212
Prepaid expenses	5,627	5,592
<b>Non-financial assets</b>	<b>1,091,064</b>	<b>1,132,804</b>
<b>Accumulated surplus</b>	<b>\$ 1,025,838</b>	<b>\$ 1,112,770</b>

See accompanying notes to financial statements.

APPROVED BY THE TRUSTEES

\_\_\_\_\_ Trustee

\_\_\_\_\_ Trustee

# KEMP LAKE WATERWORKS DISTRICT

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31, 2017

	Budget 2017	Actual 2017	Actual 2016
	(Unaudited - note 2(g))		
<b>Revenue:</b>			
Taxes	\$ 50,700	\$ 50,661	\$ 48,340
Tolls	111,800	111,430	106,476
Restricted grant (note 9)	-	30,000	-
Interest and penalty charges	8,000	9,715	8,606
Interest earned	-	15	15
Amortization of deferred designated revenue	-	7,751	7,751
	170,500	209,572	171,188
<b>Expenses:</b>			
Administration (Schedule A)	51,720	47,513	50,285
Operating (Schedule B)	118,780	248,991	125,785
	170,500	296,504	176,070
Annual deficiency	-	(86,932)	(4,882)
Accumulated surplus, beginning of year		1,112,770	1,117,652
Accumulated surplus, end of year		\$ 1,025,838	\$ 1,112,770

See accompanying notes to financial statements.

# KEMP LAKE WATERWORKS DISTRICT

## STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES

For the year ended December 31, 2017

	2017	2016
	Total	Total
<b>Annual deficiency</b>	\$ (86,932)	\$ (4,882)
Acquisition of tangible capital assets	(3,235)	(2,901)
Amortization (depreciation) of tangible capital assets	45,010	45,172
	<b>41,775</b>	<b>42,271</b>
Acquisition of prepaid expense	(9,647)	(9,261)
Use of prepaid expense	9,612	8,988
	<b>(35)</b>	<b>(273)</b>
<b>Increase (decrease) in net financial assets</b>	<b>(45,192)</b>	<b>37,116</b>
<b>Net financial liabilities, beginning of year</b>	<b>(20,034)</b>	<b>(57,150)</b>
<b>Net financial liabilities, end of year</b>	<b>\$ (65,226)</b>	<b>\$ (20,034)</b>

See accompanying notes to financial statements.

## KEMP LAKE WATERWORKS DISTRICT STATEMENT OF CASH FLOWS

Year ended December 31	2017	2016
<b>Operating activities</b>		
Annual deficiency	\$ (86,932)	\$ (4,882)
Deferred designated revenue received for future periods	35,745	35,687
Items not affecting cash		
Amortization expense	45,010	45,172
Amortization of deferred designated revenue	(7,751)	(7,751)
	(13,928)	68,226
Change in non-cash working capital items		
Accounts receivable	(9,207)	(19,047)
Prepaid expenses	(35)	(273)
Accounts payable and accrued liabilities	513	(890)
	(22,657)	48,016
<b>Investing activity</b>		
Acquisition of tangible capital assets	(3,235)	(2,901)
<b>Financing activity</b>		
Proceeds (purchase) of short-term investments	59,241	(500)
<b>Increase in cash</b>	<b>33,349</b>	<b>44,615</b>
<b>Cash, beginning of year</b>	<b>293,361</b>	<b>248,746</b>
<b>Cash, end of year</b>	<b>\$ 326,710</b>	<b>\$ 293,361</b>

See accompanying notes

# KEMP LAKE WATERWORKS DISTRICT NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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## 1. NATURE OF OPERATIONS

Kemp Lake Waterworks District (the District) was established on May 26, 1953 by Letters Patent under the Water Act of British Columbia. Currently, the purpose of the District is to provide water services to residents of the District. It also has the authority to assess and collect property taxes and water tolls for the District.

The District operates on a not-for-profit basis under the jurisdiction of the B.C. Ministry of Community Development.

The District is exempt from income taxes under the Income Tax Act.

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## 2. ACCOUNTING POLICIES

### (a) Basis of presentation

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

### (b) Cash and cash equivalents

Cash and cash equivalents consist of liquid instruments, such as cash on hand, bank accounts, and guaranteed investment certificates, which have maturities of three months or less.

### (c) Financial instruments

The District's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. These financial instruments are measured at cost.

Transaction costs related to the acquisition of these financial instruments are expensed.



# KEMP LAKE WATERWORKS DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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### 2. ACCOUNTING POLICIES, continued

#### (d) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put into service. The estimated useful lives are as follows:

Buildings	30 to 40 years
Reservoirs	40 to 50 years
Machinery & equipment	5 to 20 years
Water distribution systems	20 to 50 years
Computer equipment & software	2 to 5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the District's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital assets are less than their book value.

#### (e) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Key areas where management has made estimates and assumptions include those related to accounts receivable and the useful life of tangible capital assets. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known. By their nature, these estimates are subject to measurement uncertainty.

# KEMP LAKE WATERWORKS DISTRICT NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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## 2. ACCOUNTING POLICIES, continued

### (f) Revenue recognition

The District recognizes revenue for tolls, taxes, connection fees, renewal reserve fees and subdivision fees in accordance with its bylaws (as approved by the Ministry of Community Development) as follows:

- a. Tolls are recognized as water is used by the residents of the District. Water meters are read quarterly and the residents are billed for this usage.
- b. Taxes are assessed in the middle of each year based on the classification of each parcel within the District. The taxes are for the calendar year.
- c. Renewal reserve fees are assessed quarterly based on the classification of each parcel.
- d. Connection fees are recognized when the District has completed connecting the District's water line to a private parcel.
- e. Subdivision fees are recognized when the District approves each subdivision plan. Developers are required to pay subdivision fees before subdivision takes place.

Unrestricted grants and revenues are recorded as revenue when received or receivable, if the amounts can be estimated and collection is reasonably assured.

Restricted grants and revenues are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

Contributions for the purpose of acquiring or developing a depreciable tangible capital asset are recorded as deferred designated revenue and are recognized in revenue at the rate that amortization for the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

### (g) Budget figures

Annual budget figures are determined by the District's Trustees based on the expected revenues.

Budget figures have not been audited, and are presented for comparative and information purposes only.

# KEMP LAKE WATERWORKS DISTRICT NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	2017	2016
Restricted cash - Renewal reserve and CEC fund	\$ 257,376	\$ 248,008
General operating fund	69,334	45,353
	<b>\$ 326,710</b>	<b>\$ 293,361</b>

The District has the following funds: General Operating, Miscellaneous Reserve, and Renewal Reserve and Capital Expenditure Charge (CEC).

The General Operating fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and unrestricted operating grants. The Miscellaneous Reserve Fund is a contingency fund for unplanned expenses or special projects not relating to the above funds. The Renewal Reserve and CEC Fund is restricted to fund repairs and improvements to the District's waterworks systems and equipment.

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### 4. SHORT TERM INVESTMENTS

Short term investments are comprised of the following:

	2017	2016
Restricted - Renewal reserve and CEC fund	\$ -	\$ 26,064
Miscellaneous reserve fund	-	33,177
	<b>\$ -</b>	<b>\$ 59,241</b>

During the year, the District transferred all of the balance from the Miscellaneous Reserve Fund to the General Operating Fund.

# KEMP LAKE WATERWORKS DISTRICT NOTES TO THE FINANCIAL STATEMENTS

**December 31, 2017**

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## 5. ACCOUNTS RECEIVABLE

	2017	2016
Taxes	\$ 12,724	\$ 14,308
Tolls	73,054	62,678
GST	10,227	9,812
	\$ 96,005	\$ 86,798

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## 6. DEFERRED DESIGNATED REVENUE

Renewal reserve and capital expenditure charges collected are restricted by the Ministry of Community Development to fund future waterworks systems and equipment upgrading, replacement and purchases. Interest earned on these amounts is also restricted for the same purpose.

	2017	2016
Deferred revenue for designated purposes, beginning of year	\$ 449,186	\$ 421,250
Less amount recognized as revenue in the year	(7,751)	(7,751)
Add amount received for future periods	35,745	35,687
	\$ 477,180	\$ 449,186

These funds have been set aside, as restricted cash (see note 3) and may only be disbursed by a resolution of the Board of Trustees of the District. The Ministry of Community Development (the Ministry) provides final verification that these funds are used as originally intended.

In fiscal 2015, the Ministry, through Bylaw #184, appropriated \$10,000 from the Capital Works Renewal Reserve Fund to be expended on upgrading main pumps and manifolds at the Chubb Road Pumphouse. No payments from this appropriation were made from 2015 through 2017.

**KEMP LAKE WATERWORKS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2017

**7. TANGIBLE CAPITAL ASSETS**  
December 31, 2017

	Land	Buildings	Computer Equipment and Software	Machinery and Equipment	Reservoirs	Water Distribution System	2017 Total
<b>Cost</b>							
Opening Balance	\$ 93,990	\$ 19,280	\$ 5,781	\$ 110,574	\$ 382,925	\$ 1,455,843	\$ 2,068,393
Additions	-	-	-	3,235	-	-	3,235
Disposals	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Closing balance	93,990	19,280	5,781	113,809	382,925	1,455,843	2,071,628
<b>Accumulated amortization</b>							
Opening Balance	-	9,658	5,781	68,497	136,053	721,192	941,181
Amortization	-	377	-	6,317	8,402	29,914	45,010
Disposals	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Closing Balance	-	10,035	5,781	74,814	144,455	751,106	986,191
Net book value	\$ 93,990	\$ 9,245	\$ -	\$ 38,995	\$ 238,470	\$ 704,737	\$ 1,085,437

Amortization and depreciation can be used synonymously throughout the financial statements.

**KEMP LAKE WATERWORKS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 December 31, 2016

**7. TANGIBLE CAPITAL ASSETS**  
 December 31, 2016

Cost	Land	Buildings	Computer Equipment and Software	Machinery and Equipment	Reservoirs	Water Distribution System	2016 Total
Opening Balance	\$ 93,990	\$ 19,280	\$ 5,781	\$ 110,574	\$ 382,925	\$ 1,452,942	\$ 2,065,492
Additions	-	-	-	-	-	2,901	2,901
Disposals	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Closing balance	93,990	19,280	5,781	110,574	382,925	1,455,843	2,068,393
Accumulated amortization							
Opening Balance	-	9,281	5,781	62,342	127,651	690,954	896,008
Amortization	-	377	-	6,155	8,402	30,238	45,172
Disposals	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Closing Balance	-	9,658	5,781	68,497	136,053	721,192	941,181
Net book value	\$ 93,990	\$ 9,622	\$ -	\$ 42,077	\$ 246,873	\$ 734,651	\$ 1,127,212

Amortization and depreciation can be used synonymously throughout the financial statements.

# KEMP LAKE WATERWORKS DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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### 8. FINANCIAL RISK MANAGEMENT

The Board of Trustees ensures that the District has identified its major risks and ensures that management monitors and controls them.

(a) Interest rate risk

The District is not exposed to significant interest rate risk relating to its financial assets and liabilities.

(b) Liquidity risk

Liquidity risk is the risk that the District will encounter difficulty in meeting obligations associated with financial liabilities. It is measured by reviewing the District's future net cash flows for the possibility of a negative net cash flow. The District manages the liquidity risk resulting from its accounts payable obligations by maintaining significant cash resources and investing in liquid investments.

(c) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair value because of the short maturity term of these instruments.

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# KEMP LAKE WATERWORKS DISTRICT NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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## 9. WATER TREATMENT

During 2012, the Vancouver Island Health Authority (VIHA) asked the District to upgrade its water source to meet the 4-3-2-1 Water Plan. The District anticipates connecting to the Capital Regional District (CRD) water line and began feasibility studies in 2017. This project has been named the Kemp Lake Water Source Replacement Project (Project).

During the year, the District received a restricted grant of \$30,000 from the CRD which was fully applied to 2017 Project expenditures.

The Ministry, through Bylaw #190, appropriated \$150,000 from the Capital Works Renewal Reserve Fund to be expended on renewing the old watermain and renewing source supply infrastructure. During the year, the District used \$23,300 of the total funds appropriated towards the Project.

The Ministry, through Bylaw #191, appropriated \$50,900 from the Capital Expenditure Reserve Fund to be expended on increasing the source supply infrastructure to expand further. During the year, the funds were fully spent.

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**KEMP LAKE WATERWORKS DISTRICT  
SCHEDULES OF ADMINISTRATIVE AND  
OPERATING EXPENDITURES**

Year ended December 31,

	2017	2016
<b>Schedule A</b>		
<b>Administration expenditures</b>		
Bank charges	\$ 41	\$ 145
Fees and licences	1,865	1,847
Miscellaneous	1,935	3,794
Office expenses and supplies	2,978	2,908
Postage	1,437	1,197
Professional fees	8,250	7,800
Rent	1,740	1,620
Secretary/accounting	16,800	16,800
Training	417	3,780
Trustees honoraria	<u>12,050</u>	<u>10,394</u>
	<u>\$ 47,513</u>	<u>\$ 50,285</u>

**Schedule B**

<b>Operating expenditures</b>		
Amortization	\$ 45,010	\$ 45,172
Contract labour – sublet/maintenance	32,718	24,650
Engineering costs	595	-
Insurance	9,612	8,988
Lab testing	395	1,272
Supplies and labour	44,244	33,638
Telephone and utilities	11,607	11,572
Water source replacement project (note 9)	104,200	-
Workers' compensation	<u>610</u>	<u>493</u>
	<u>\$ 248,991</u>	<u>\$ 125,785</u>

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# KEMP LAKE WATERWORKS DISTRICT

## SCHEDULES TO THE FINANCIAL INFORMATION ACT

Unaudited  
December 31, 2017

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The following schedules have been prepared by management of the Kemp Lake Waterworks District in compliance with the requirements of the Financial Information Act, Regulation, and Directive.

These schedules have been reviewed and approved by the Board of Trustees.

### 1. SCHEDULE OF GUARANTEE AND INDEMNITY AGREEMENTS

None.

### 2. SCHEDULE OF REMUNERATION TO EMPLOYEES

	<u>2017</u>	<u>2016</u>
Assessor/Collector - D. Anderson	\$ 18,540	\$ 18,420
Trustee Honoraria - \$3,000 each to J. Hemphill and R. Birch (\$2,511 each in 2016); \$5,000 to K. Brehart (\$4,560 in 2016) and CPP deductions of \$1,050 (\$812 in 2016)	<u>12,050</u>	<u>10,394</u>
	\$ <u>30,590</u>	\$ <u>28,814</u>

### 3. SCHEDULE OF EXPENSES PAID ON BEHALF OF EMPLOYEES

Expenses include costs for business travel and professional development.

	<u>2017</u>	<u>2016</u>
K. Brehart	\$ 609	\$ 1,991
J. Hemphill	742	635
R. Birch	533	963
D. Anderson	<u>110</u>	<u>1,650</u>
	\$ <u>1,994</u>	\$ <u>5,239</u>

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**KEMP LAKE WATERWORKS DISTRICT**  
**SCHEDULES TO THE FINANCIAL INFORMATION ACT**

Unaudited  
December 31, 2017

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**4. SCHEDULE OF PAYMENTS FOR GOODS AND SERVICES**

	<u>2017</u>	<u>2016</u>
a) Amounts exceeding \$10,000, in aggregate, to any one supplier:		
Van Isle Water Services Ltd.	\$ 13,481	\$ 10,991
R.E. Anderson	39,964	29,859
WSP Canada Inc.	110,035	-
b) Consolidated total for all other suppliers	55,430	55,995
c) Remuneration to employees (Schedule 2)	30,590	28,814
d) Expenses paid on behalf of employees (Schedule 3)	<u>1,994</u>	<u>5,239</u>
Total expenses per Schedule A and Schedule B (less amortization)	\$ <u>251,494</u>	\$ <u>130,898</u>

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Approved: \_\_\_\_\_