

DEEP BAY WATERWORKS DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

DEEP BAY WATERWORKS DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2006

| CONTENTS | Page |
|--|-------------|
| Auditor's Report | |
| Statement of Operations and Changes in Fund Balances | 1 |
| Statement of Financial Position | 2 - 3 |
| Notes to the Financial Statements | 4 - 6 |
| Schedule of Expenses | 7 |

AUDITOR'S REPORT

To the Members of: Deep Bay Waterworks District

I have audited the statement of financial position of Deep Bay Waterworks District, as at December 31, 2006 and the statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Directors. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the district as at December 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles for British Columbia Improvement Districts.

Brent Johnson, CGA Ltd.
Certified General Accountant

Qualicum Beach, British Columbia
February 28, 2007

DEEP BAY WATERWORKS DISTRICT

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2006

| | Waterworks Operating | Fire Protection Operating | Capital Fund | Total 2006 | Total 2005 |
|------------------------------------|--------------------------|---------------------------------|---------------------------|---------------------------|---------------------------|
| REVENUE | | | | | |
| Parcel taxes | \$ 53,217 | \$ - | \$ - | \$ 53,217 | \$ 50,516 |
| Water tolls | 119,380 | - | - | 119,380 | 90,598 |
| Connection fees | 6,951 | - | - | 6,951 | 5,416 |
| Fire protection levies | - | 73,984 | - | 73,984 | 72,619 |
| Provincial emergency program | - | 5,058 | - | 5,058 | 15,627 |
| Interest | 969 | 576 | 5,295 | 6,840 | 4,936 |
| Other income | 9,119 | 5,302 | - | 14,421 | 6,130 |
| Shared overhead costs | 13,000 | (13,000) | - | - | - |
| Capital expenditure charge | <u>-</u> | <u>-</u> | <u>113,829</u> | <u>113,829</u> | <u>160,600</u> |
| | 202,636 | 71,920 | 119,124 | 393,680 | 406,442 |
| EXPENSES - Page 7 | <u>206,677</u> | <u>82,990</u> | <u>-</u> | <u>289,667</u> | <u>381,021</u> |
| Excess Revenue over Expenses | (4,041) | (11,070) | 119,124 | 104,013 | 25,421 |
| Fund Balance | | | | | |
| Balance beginning | 143,611 | 53,441 | 1,890,395 | 2,087,447 | 1,899,747 |
| Transfer to Capital Fund | - | - | 58,483 | 58,483 | 162,281 |
| Disposal of property and equipment | <u>-</u> | <u>-</u> | <u>(8,560)</u> | <u>(8,560)</u> | <u>-</u> |
| Ending balance - Page 3 | <u>\$ 139,570</u> | <u>\$ 42,371</u> | <u>\$2,059,442</u> | <u>\$2,241,383</u> | <u>\$2,087,449</u> |

The auditor's report and notes are an integral part of the financial statements.

DEEP BAY WATERWORKS DISTRICT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

ASSETS

| | Waterworks Operating | Fire Protection Operating | Capital Fund | Total 2006 | Total 2005 |
|---|--------------------------|---------------------------------|---------------------------|---------------------------|---------------------------|
| CURRENT | | | | | |
| Cash | \$ 6,545 | \$ 10,486 | \$ - | \$ 17,031 | \$ 64,550 |
| Term deposits | 77,787 | 28,573 | - | 106,360 | 80,125 |
| Accounts receivable | 36,634 | 3,969 | 86,388 | 126,991 | 72,364 |
| Prepaid expense | 21,660 | 2,452 | - | 24,112 | 26,710 |
| Inventory | <u>9,007</u> | <u>-</u> | <u>-</u> | <u>9,007</u> | <u>\$ 10,035</u> |
| | 151,633 | 45,480 | 86,388 | 283,501 | 253,784 |
| Restricted cash and term deposits (Note 3) | - | - | 162,667 | 162,667 | 116,746 |
| Property and equipment (Note 4) | <u>-</u> | <u>-</u> | <u>1,848,265</u> | <u>1,848,265</u> | <u>1,770,747</u> |
| | <u>\$ 151,633</u> | <u>\$ 45,480</u> | <u>\$2,097,320</u> | <u>\$2,294,433</u> | <u>\$2,141,277</u> |

The auditor's report and notes are an integral part of the financial statements.

DEEP BAY WATERWORKS DISTRICT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

LIABILITIES

| | Waterworks Operating | Fire Protection Operating | Capital Fund | Total 2006 | Total 2005 |
|--|-------------------------|---------------------------------|----------------------|----------------------|----------------------|
| CURRENT | | | | | |
| Accounts payable | \$ 11,857 | \$ 3,232 | \$ - | \$ 15,089 | \$ 12,654 |
| Funds due to (from) Capital Fund | 83 | - | (83) | - | - |
| Funds due to the Waterworks operations | 123 | (123) | - | - | \$ - |
| Current portion of long term debt | <u>-</u> | <u>-</u> | <u>6,903</u> | <u>6,903</u> | <u>6,903</u> |
| | 12,063 | 3,109 | 6,820 | 21,992 | 19,557 |
| Long term debt (Note 5) | <u>-</u> | <u>-</u> | <u>31,058</u> | <u>31,058</u> | <u>34,273</u> |
| | <u>12,063</u> | <u>3,109</u> | <u>37,878</u> | <u>53,050</u> | <u>53,830</u> |

FUND BALANCES

| | | | | | |
|---|--------------------------|-------------------------|---------------------------|---------------------------|---------------------------|
| Invested in property and equipment | - | - | 1,810,304 | 1,810,304 | 1,730,610 |
| Externally restricted net assets Water Works (Note 6) | - | - | 249,138 | 249,138 | 159,785 |
| Internally restricted net assets (Note 7) | 136,376 | 35,468 | - | 171,844 | - |
| Unrestricted | <u>3,194</u> | <u>6,903</u> | <u>-</u> | <u>10,097</u> | <u>197,052</u> |
| Ending balance - Page 1 | <u>139,570</u> | <u>42,371</u> | <u>2,059,442</u> | <u>2,241,383</u> | <u>2,087,447</u> |
| | <u>\$ 151,633</u> | <u>\$ 45,480</u> | <u>\$2,097,320</u> | <u>\$2,294,433</u> | <u>\$2,141,277</u> |

APPROVED BY THE DIRECTORS

_____ Director

_____ Director

The auditor's report and notes are an integral part of the financial statements.

DEEP BAY WATERWORKS DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

1. PURPOSE OF THE ORGANIZATION

Deep Bay Waterworks District was formed for the purpose of supplying water and fire protection to the local area.

2. SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Water District follows the restricted fund method of accounting for contributions.

The Waterworks Operating reports revenue and expenses related to the operations for water distribution.

The Fire Protection Operating reports revenue and expenses related to the operations for fire protection.

The Capital Fund reports special reserves for acquiring new assets and property and equipment.

Other Contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

As required by the Local Government Act the District prepares these financial statements in accordance with generally accepted accounting principles for local governments.

Inventory is valued at the lower of cost or net realizable value

Statement of cash flow has not been included in these financial statements as the information is readily determinable from the statements provided.

Property and equipment are recorded at cost. No provision has been made for amortization.

The auditor's report and notes are an integral part of the financial statements.

DEEP BAY WATERWORKS DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

3. RESTRICTED CASH AND TERM DEPOSITS

Cash designated for specific purposes is segregated as follows:

| | 2006 | 2005 |
|---------------|--------------------------|--------------------------|
| Cash | \$ 18,597 | \$ 9,502 |
| Term deposits | <u>144,070</u> | <u>107,244</u> |
| | <u>\$ 162,667</u> | <u>\$ 116,746</u> |

The restricted funds have been acquired through bylaws. These amounts are restricted in their use to the purpose stated within the bylaws that established the statutory reserve or capital development funds. The reserves and capital development funds are as follows:

| | | |
|----------------------------|--------------------------|--------------------------|
| Renewal reserve | \$ 26 | \$ 26 |
| Capital expenditure charge | <u>162,641</u> | <u>116,720</u> |
| | <u>\$ 162,667</u> | <u>\$ 116,746</u> |

4. PROPERTY AND EQUIPMENT

| | 2006 | 2005 |
|--------------|---------------------------|---------------------------|
| Building | \$ 86,115 | \$ 79,273 |
| Equipment | 184,182 | 164,841 |
| Water system | 1,268,773 | 1,217,438 |
| Vehicles | 294,868 | 294,868 |
| Land | <u>14,327</u> | <u>14,327</u> |
| | <u>\$1,848,265</u> | <u>\$1,770,747</u> |

The auditor's report and notes are an integral part of the financial statements.

DEEP BAY WATERWORKS DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

5. LONG TERM DEBT

| | 2006 | 2005 |
|---|------------------|------------------|
| Province of British Columbia; repayable to a sinking fund at \$6,903 per year over ten years plus interest at 6%, due June 2008, shown net of sinking fund deposits and earnings. | \$ 37,961 | \$ 41,176 |
| Less current portion | <u>6,903</u> | <u>6,903</u> |
| | <u>\$ 31,058</u> | <u>\$ 34,273</u> |
| Principal repayments, based on the loan terms and conditions at year end, are as follows: | | |
| 2007 | \$ 6,903 | |
| 2008 | <u>31,058</u> | |
| | <u>\$ 37,961</u> | |

6. EXTERNALLY RESTRICTED NET ASSETS

Major categories of externally imposed restrictions on net assets are as follows:

| | 2006 | 2005 |
|--|-------------------|-------------------|
| Ministry of Finance Community Services | <u>\$ 249,138</u> | <u>\$ 159,785</u> |

7. INTERNALLY RESTRICTED FUNDS

These funds have been restricted in their use and purpose by the board for future capital development and purchase of assets.

The auditor's report and notes are an integral part of the financial statements.

DEEP BAY WATERWORKS DISTRICT

SCHEDULE OF EXPENSES

DECEMBER 31, 2006

| EXPENSES | Waterworks Operating | Fire Protection Operating | Capital Fund | Total 2006 | Total 2005 |
|-----------------------------|-------------------------|---------------------------------|-----------------|-------------------|-------------------|
| Advertising | \$ 761 | \$ - | \$ - | \$ 761 | \$ 939 |
| Association dues | 250 | 277 | - | 527 | 634 |
| Audit | 3,255 | 1,750 | - | 5,005 | 9,173 |
| Building repairs | 3,097 | 890 | - | 3,987 | 6,813 |
| Capital asset additions | 44,757 | 13,727 | - | 58,484 | - |
| Delegation expense | 1,037 | - | - | 1,037 | 1,837 |
| Equipment - firefighting | - | 13,734 | - | 13,734 | 33,126 |
| Honorariums | - | 11,994 | - | 11,994 | 10,393 |
| Insurance | 27,802 | 780 | - | 28,582 | 33,902 |
| Interest on long term | - | 6,000 | - | 6,000 | 6,000 |
| Licences | 991 | - | - | 991 | 580 |
| Loan payment | - | 6,903 | - | 6,903 | 6,903 |
| Metering costs phase 2 | - | - | - | - | 17,584 |
| Metering costs phase 3 - 5 | - | - | - | - | 127,701 |
| Mileage | 212 | 197 | - | 409 | 636 |
| Office expense | 9,102 | 968 | - | 10,070 | 5,015 |
| Professional fees | 13,524 | - | - | 13,524 | 2,391 |
| Repairs and maintenance | 28,563 | 4,658 | - | 33,221 | 25,323 |
| Seminars and training | 635 | 2,101 | - | 2,736 | 4,552 |
| Service awards and clothing | - | 5,001 | - | 5,001 | 1,419 |
| Telephone | 1,688 | 1,180 | - | 2,868 | 2,525 |
| Truck Expense | - | 12,830 | - | 12,830 | 14,035 |
| Truck purchase | - | - | - | - | 14,079 |
| Trustee remuneration | 2,100 | - | - | 2,100 | 2,100 |
| Utilities | 11,600 | - | - | 11,600 | 13,290 |
| Wages | 57,303 | - | - | 57,303 | 40,071 |
| Total - Page 1 | <u>\$ 206,677</u> | <u>\$ 82,990</u> | <u>\$ -</u> | <u>\$ 289,667</u> | <u>\$ 381,021</u> |

The auditor's report and notes are an integral part of the financial statements.