

KALEDEN IRRIGATION DISTRICT

Financial Statements

Year Ended December 31, 2020

KALEDEN IRRIGATION DISTRICT

Index to Financial Statements

Year Ended December 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Changes in Net Financial Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10
Schedule of Operations By Fund and Object (<i>Schedule 1</i>)	11 - 12
Schedule of Tangible Capital Assets (<i>Schedule 2</i>)	13



INDEPENDENT AUDITOR'S REPORT

To the Trustees of Kaleden Irrigation District

Report on the Financial Statements

Opinion

We have audited the financial statements of Kaleden Irrigation District (the District), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2020, and the results of its operations and its 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 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included in Schedule 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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.

Omland Heal LLP

Chartered Professional Accountants

Penticton, BC
May 10, 2021

KALEDEN IRRIGATION DISTRICT

Statement of Financial Position

December 31, 2020

	2020	2019
Financial assets		
Cash and investments <i>(Note 4)</i>	\$ 1,021,118	\$ 937,261
Accounts receivable <i>(Note 5)</i>	80,560	62,315
Refundable deposits	3,600	4,000
	<u>1,105,278</u>	<u>1,003,576</u>
Liabilities		
Accounts payable and accrued liabilities <i>(Note 6)</i>	32,324	21,138
Deferred income	5,501	1,691
Deposits payable	25,374	25,374
	<u>63,199</u>	<u>48,203</u>
Net financial assets	<u>1,042,079</u>	<u>955,373</u>
Non-financial assets		
Tangible capital assets <i>(Schedule 2)</i>	1,200,723	1,151,485
Prepaid expenses	499	674
Supply inventory	4,118	4,220
	<u>1,205,340</u>	<u>1,156,379</u>
Accumulated surplus	<u>\$ 2,247,419</u>	<u>\$ 2,111,752</u>

On behalf of District

_____ Trustee

_____ Trustee

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Statement of Operations and Accumulated Surplus

Year Ended December 31, 2020

	Budget (Unaudited) 2020	2020	2019
Revenues			
Domestic taxes	\$ 366,003	\$ 367,129	\$ 352,392
Irrigation taxes and tolls	74,791	75,187	72,647
Extra tolls	33,595	33,744	32,308
Recoveries	-	30,075	2,725
Interest	1,500	6,772	14,132
Interest and penalties	-	6,339	10,457
Grant funding	6,600	3,475	3,597
Connections and upgrades	-	2,647	8,353
Cemetery	-	1,637	250
Search and subdivision	-	490	435
Capital levies	-	-	6,900
	482,489	527,495	504,196
Expenses			
Operating expenses (Schedule 1)	310,881	312,222	272,726
Administrative expenses (Schedule 1)	76,558	79,606	78,167
	387,439	391,828	350,893
Annual surplus	95,050	135,667	153,303
Accumulated surplus - beginning of year	2,111,752	2,111,752	1,958,449
Accumulated surplus - end of year	\$ 2,206,802	\$ 2,247,419	\$ 2,111,752

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Statement of Changes in Net Financial Assets

Year Ended December 31, 2020

	Budget (Unaudited) 2020	2020	2019
Annual surplus	\$ 95,050	\$ 135,667	\$ 153,303
Amortization of tangible capital assets	-	36,983	35,966
Purchase of tangible capital assets	(61,025)	(92,932)	(16,937)
Loss on disposal of tangible capital assets	-	6,711	-
	34,025	86,429	172,332
Acquisition of prepaid expenses	-	(498)	(674)
Use of prepaid expenses	-	674	454
Use of supply inventory	-	101	1,868
	-	277	1,648
Increase in net financial assets	34,025	86,706	173,980
Net financial assets - beginning of year	955,373	955,373	781,393
Net financial assets - end of year	\$ 989,398	\$ 1,042,079	\$ 955,373

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019
Operating activities		
Annual surplus	\$ 135,667	\$ 153,303
Items not affecting cash:		
Amortization of tangible capital assets	36,983	35,966
Loss on disposal of tangible capital assets	6,711	-
	179,361	189,269
Changes in non-cash working capital:		
Accounts receivable	(18,245)	(4,359)
Supply inventory	102	1,868
Accounts payable and accrued liabilities	11,186	(14,209)
Deferred income	3,810	(955)
Prepaid expenses	175	(220)
Refundable deposits	400	(400)
Deposits payable	-	(500)
	(2,572)	(18,775)
Net change in cash from operating activities	176,789	170,494
Capital activity		
Purchase of tangible capital assets	(92,932)	(16,937)
Cash flow used by capital activity	(92,932)	(16,937)
Increase in cash flow	83,857	153,557
Cash and investments - beginning of year	937,261	783,704
Cash and investments - end of year	\$ 1,021,118	\$ 937,261

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

1. Purpose of the District

Kaleden Irrigation District (the "District") provides water to property owners in Kaleden, British Columbia. It is defined as an improvement district under the Letters Patent authorized by the Province of British Columbia and is subject to the provisions contained in the Local Government Act. The District is exempt from income tax under Section 149(1)(c) of the Income Tax Act.

2. Impacts of COVID-19

Since March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The District has determined that no adjustment is needed to reflect the impact on the December 31, 2020 financial position. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position results of the District for future periods.

3. Significant accounting policies

The financial statements were prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Fund accounting

The District follows the fund method of accounting for revenues and expenses with the resources and operations of the District segregated into funds. The Operating Fund, Plant and System Maintenance Fund, Capital Levy Fund, Cemetery Fund, Renewal Reserve Fund and Capital Asset Fund for accounting and financial reporting purposes. Revenue and expenses related to water supply are reported in the Operating Fund. Interest earned on investments are reported in the applicable fund in which the cash is held. The Capital Asset Fund reports revenues and expenses related to the District's tangible capital assets.

Cash and investments

Investments are Guaranteed Investment Certificates ("GIC's"). Due to the short term maturity of these investments, the carrying amount approximates fair value.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements

Year Ended December 31, 2020

3. Significant accounting policies *(continued)*

Revenue recognition

Domestic water taxes are recorded on an accrual basis and recognized when the service or product is provided by the District. Other revenue is recorded as it is earned and measurable. Accounts that have been received in advance of services being rendered are recorded as deferred revenues until the District discharges the obligation that led to the collection of funds.

Reserve funds

The Renewal Reserve Fund is established under bylaw, pursuant to Section 698 and 706 of the Local Government Act, for the upgrading, replacement or renewal of existing capital works. The funds set aside, and interest earned on the funds, are deposited in a separate account at a financial institution. Disbursements can only be made from the account after a bylaw is passed by the trustees of the irrigation district.

Use of estimates

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the District's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of tangible capital assets;
- the estimated useful lives of tangible capital assets;
- the allowance for doubtful accounts;
- the allowance for inventory obsolescence.

Liability for contaminated sites

The District recognizes and measures a liability for remediation of contaminated sites where:

- a) an environmental standard exists;
- b) contaminated levels exceed the environmental standards;
- c) the District is directly responsible or accepts responsibility;
- d) it is expected that future economic benefits will be given up; and
- e) a reasonable estimate of the amount can be made

The liability is based on the present value of the estimated costs directly attributable to the remediation and post-remediation activities

As at December 31, 2020 and 2019, no contaminated sites have been identified that meet the criteria outlined in the standard.

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KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements
Year Ended December 31, 2020

3. Significant accounting policies (continued)

Financial instruments

The District's financial instruments consist of cash and investments, accounts receivable and accounts payable. Unless otherwise noted, it is the Board's opinion that the District is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Financial assets measured at amortized cost on a straight-line basis include cash, term deposits and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and method:

Land	N/A
Automotive	15 years straight-line method
Buildings	50 years straight-line method
Office equipment	10 years straight-line method
Pumps	20 years straight-line method
Tools equipment	10 years straight-line method
Water systems	50 years straight-line method

The District regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Impairment of tangible capital assets

The District tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the tangible capital assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Government transfers

Government transfers are the transfer of assets from senior levels of government and are not the result of any exchange transactions, meaning there is no expectation to repay the amounts in the future. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfer is authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Government transfers are recognized by the transferring government as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements
Year Ended December 31, 2020

4. Cash and investments

	2020	2019
Cash	\$ 813,960	\$ 733,166
Term deposit - Plant Fund	139,315	137,256
Term deposit - Renewal Reserve Fund	32,150	31,674
Term deposit - Operating Fund	23,030	22,689
Term deposit - Cemetery Fund	8,573	8,447
Term deposit - Capital Levy Fund	4,090	4,029
	<u>\$ 1,021,118</u>	<u>\$ 937,261</u>

Investments consist of three GIC's with TD Canada Trust. GIC's are cashable and mature December 15, 2021 at 0.25%. Their use is internally restricted for use in their respective funds.

5. Accounts receivable

	2020	2019
Trade receivables	\$ 37,564	\$ 46,759
Other receivables	30,698	4,940
Goods and services tax rebate	11,987	8,346
Accrued interest	311	2,270
	<u>\$ 80,560</u>	<u>\$ 62,315</u>

6. Accounts payable and accrued liabilities

	2020	2019
Trade payable	\$ 16,862	\$ 10,726
Payroll liabilities	7,522	8,547
Overtime payable	3,803	-
Credit cards	2,706	1,272
Banked hours payable	1,431	593
	<u>\$ 32,324</u>	<u>\$ 21,138</u>

7. Related party transactions

Each Board member of the District receives compensation for acting in their capacity as Trustees. During 2020, a total of \$6,411 (2019 - \$6,411) in Trustee compensation was paid. Additionally, two board members were also compensated a total of \$2,446 (2019 - \$3,075) for additional work at the District at the standard rates.

Transactions with related parties are recorded at the exchange amount, which is the amount of consideration agreed to between the related parties.

KALEDEN IRRIGATION DISTRICT

Schedule of Operations By Fund and Object

(Schedule 1)

Year Ended December 31, 2020

	Budget (Unaudited) 2020	Operating Fund	Plant Fund	Cemetery Fund	Renewal Reserve Fund	Capital Levy Fund	Capital Asset Fund	2020	2019
Revenue									
Domestic taxes	\$ 366,003	\$ 367,129	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,129	\$ 352,392
Irrigation taxes and tolls	74,791	75,187	-	-	-	-	-	75,187	72,647
Extra tolls	33,595	33,744	-	-	-	-	-	33,744	32,308
Recoveries	-	30,075	-	-	-	-	-	30,075	2,725
Interest	1,500	1,340	2,880	135	2,319	98	-	6,772	14,132
Interest and penalties	-	6,339	-	-	-	-	-	6,339	10,457
Grant funding	6,600	3,475	-	-	-	-	-	3,475	3,597
Connections and upgrades	-	2,647	-	-	-	-	-	2,647	8,353
Cemetery	-	1,577	-	60	-	-	-	1,637	250
Search and subdivision	-	490	-	-	-	-	-	490	435
Capital levies	-	-	-	-	-	-	-	-	6,900
	482,489	522,003	2,880	195	2,319	98	-	527,495	504,196
Operating expenses									
Amortization	-	-	-	-	-	-	36,983	36,983	35,966
Automotive	2,000	1,943	-	-	-	-	-	1,943	2,923
Bad debts	-	1,580	-	-	-	-	-	1,580	-
Cemetery	-	691	-	-	-	-	-	691	146
Chlorine	4,000	4,143	-	-	-	-	-	4,143	3,608
Engineering and consulting	27,213	5,404	-	-	-	-	-	5,404	456
Insurance	22,000	23,248	-	-	-	-	-	23,248	21,698
Loss on disposal of tangible capital assets	-	-	-	-	-	-	6,711	6,711	-
Power	69,950	59,616	-	-	-	-	-	59,616	57,499
Repairs and maintenance	65,000	48,584	-	-	-	-	-	48,584	50,872
Salaries - manager	32,500	24,609	-	-	-	-	-	24,609	22,536
Salaries - superintendent	58,018	67,795	-	-	-	-	-	67,795	46,898
Small tools and supplies	1,200	2,596	-	-	-	-	-	2,596	150
Wages - emergency relief	26,000	27,394	-	-	-	-	-	27,394	27,578
Water Quality/Conservation Program	3,000	925	-	-	-	-	-	925	2,396
Total operating expenses	310,881	268,528	-	-	-	-	43,694	312,222	272,726

(continues)

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Schedule of Operations By Fund and Object *(continued)*

(Schedule 1)

Year Ended December 31, 2020

	Budget (Unaudited) 2020	Operating Fund	Plant Fund	Cemetery Fund	Renewal Reserve Fund	Capital Levy Fund	Capital Asset Fund	2020	2019
Administrative expenses									
Advertising	1,400	735	-	-	-	-	-	735	1,080
Bank charges	300	73	-	-	-	-	-	73	250
Employee benefits	21,445	24,761	-	-	-	-	-	24,761	21,214
Licenses and dues	1,750	1,485	-	-	-	-	-	1,485	1,777
Office and postage	4,500	5,104	-	-	-	-	-	5,104	4,861
Professional fees	7,000	7,000	-	-	-	-	-	7,000	7,925
Salaries - secretary	28,152	29,693	-	-	-	-	-	29,693	28,044
Seminars	2,500	1,576	-	-	-	-	-	1,576	3,922
Telephone and internet	3,100	2,768	-	-	-	-	-	2,768	2,683
Trustee remuneration	6,411	6,411	-	-	-	-	-	6,411	6,411
Total administrative expenses	76,558	79,606	-	-	-	-	-	79,606	78,167
Annual surplus (deficit)	95,050	173,869	2,880	195	2,319	98	(43,694)	135,667	153,303
Accumulated surplus - beginning of year	\$ 2,111,752	235,141	310,919	11,053	391,385	11,769	1,151,485	2,111,752	1,958,449
Acquisition of tangible capital assets	-	(92,932)	-	-	-	-	92,932	-	-
Interfund transfers	-	(77,892)	(17,450)	-	95,342	-	-	-	-
Accumulated surplus - end of year	\$ 2,206,802	\$ 238,186	\$ 296,349	\$ 11,248	\$ 489,046	\$ 11,867	\$ 1,200,723	\$ 2,247,419	\$ 2,111,752

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Schedule of Tangible Capital Assets

(Schedule 2)

Year Ended December 31, 2020

	Land	Buildings	Tools equipment	Office equipment	Automotive	Water systems	Pump equipment	2020	2019
Cost									
Opening balance	\$ 5,400	\$ 74,257	\$ 18,063	\$ 10,675	\$ 18,642	\$ 2,079,433	\$ 78,499	\$ 2,284,969	\$ 2,268,032
Add: additions	-	4,463	-	-	-	38,886	49,583	92,932	16,937
Less: disposals	-	(5,200)	-	-	-	-	(2,083)	(7,283)	-
	5,400	73,520	18,063	10,675	18,642	2,118,319	125,999	2,370,618	2,284,969
Accumulated amortization									
Opening balance	-	31,813	11,694	10,675	5,593	1,061,515	12,194	1,133,484	1,097,518
Add: Amortization	-	1,381	867	-	1,243	28,980	4,512	36,983	35,966
Less: disposals	-	(572)	-	-	-	-	-	(572)	-
	-	32,622	12,561	10,675	6,836	1,090,495	16,706	1,169,895	1,133,484
Net book value - December 31, 2020	\$ 5,400	\$ 40,898	\$ 5,502	\$ -	\$ 11,806	\$ 1,027,824	\$ 109,293	\$ 1,200,723	
Net book value - December 31, 2019	\$ 5,400	\$ 42,444	\$ 6,369	\$ -	\$ 13,049	\$ 1,017,918	\$ 66,305		\$ 1,151,485

See accompanying notes to financial statements.