

**KALEDEN IRRIGATION
DISTRICT**

Financial Statements

Year Ended December 31, 2017

KALEDEN IRRIGATION DISTRICT

Index to Financial Statements

Year Ended December 31, 2017

	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 - 9
Schedule of Operations By Fund and Object (<i>Schedule 1</i>)	10 - 11
Schedule of Tangible Capital Assets (<i>Schedule 2</i>)	12



INDEPENDENT AUDITOR'S REPORT

To the Trustees of Kaleden Irrigation District

We have audited the accompanying financial statements of Kaleden Irrigation 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 assets 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 entity'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 entity'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.

(continues)

Omland Heal LLP
Chartered Professional Accountants
200 - 498 Ellis Street
Penticton, B.C. V2A 4M2

Telephone: (250) 492-8444
Fax: (250) 492-8688
www.omlandheal.com

* Wayne Heal Ltd * Ryan Schulz Ltd.
* Chris Newton Ltd. * Kris Omland Ltd.
+ Andrew Nendick Inc.
* *Limited Liability Partnership of Corporations*
+ *Associate*



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kaleden Irrigation District as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards .

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.

Omland Heal LLP

Chartered Professional Accountants

Penticton, BC
April 26, 2018

KALEDEN IRRIGATION DISTRICT

Statement of Financial Position

December 31, 2017

	2017	2016
Financial assets		
Cash and investments (Note 3)	\$ 797,472	\$ 572,932
Accounts receivable (Note 4)	45,403	59,875
Refundable deposits	2,400	2,400
	<u>845,275</u>	<u>635,207</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	24,829	17,339
Deferred income	1,876	1,166
Deposits payable	54,674	19,874
	<u>81,379</u>	<u>38,379</u>
Net financial assets	<u>763,896</u>	<u>596,828</u>
Non-financial assets		
Tangible capital assets (Schedule 2)	1,057,672	1,071,627
Prepaid expenses	750	217
Supply inventory	5,681	5,341
	<u>1,064,103</u>	<u>1,077,185</u>
Accumulated surplus	<u>\$ 1,827,999</u>	<u>\$ 1,674,013</u>

Approved on behalf of the District

_____ Trustee

_____ Trustee

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Statement of Operations and Accumulated Surplus

Year Ended December 31, 2017

	Budget (Unaudited) 2017	2017	2016
Revenue			
Domestic taxes	\$ 276,575	\$ 302,550	\$ 286,737
Irrigation taxes and tolls	69,127	68,795	67,114
Capital levies	-	57,000	8,900
Extra tolls	28,736	29,708	27,899
Interest and penalties	-	9,655	10,102
Cemetery	-	4,485	3,170
Interest	800	4,276	2,326
Connections and upgrades	-	1,620	1,000
Search and subdivision	-	420	954
Recoveries	-	300	486
	<u>375,238</u>	<u>478,809</u>	<u>408,688</u>
Expenses			
Operating expenses (<i>Schedule 1</i>)	249,900	258,008	279,324
Administrative expenses (<i>Schedule 1</i>)	68,914	66,815	70,120
	<u>318,814</u>	<u>324,823</u>	<u>349,444</u>
Annual surplus	56,424	153,986	59,244
Accumulated surplus - beginning of year	1,674,013	1,674,013	1,614,769
Accumulated surplus - end of year	<u>\$ 1,730,437</u>	<u>\$ 1,827,999</u>	<u>\$ 1,674,013</u>

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Statement of Changes in Net Financial Assets

Year Ended December 31, 2017

	Budget (Unaudited)		
	2017	2017	2016
Annual surplus	\$ 56,424	\$ 153,986	59,244
Purchase of tangible capital assets	(55,500)	(31,526)	(58,675)
Amortization of tangible capital assets	-	44,499	43,936
Loss on disposal of tangible capital assets	-	982	23,141
	924	167,941	67,646
Acquisition of prepaid expenses	-	(750)	(217)
Use of prepaid expenses	-	217	540
Acquisition of supply inventory	-	(340)	(145)
	-	(873)	178
Increase in net financial assets	924	167,068	67,824
Net financial assets - beginning of year	596,828	596,828	529,004
Net financial assets - end of year	\$ 597,752	\$ 763,896	\$ 596,828

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Statement of Cash Flows

Year Ended December 31, 2017

	2017	2016
Operating activities		
Annual surplus	\$ 153,986	\$ 59,244
Items not affecting cash:		
Amortization	44,499	43,935
Loss on disposal of tangible capital assets	982	23,141
	199,467	126,320
Changes in non-cash working capital:		
Accounts receivable	14,472	18
Accounts payable and accrued liabilities	7,490	(19,136)
Supply inventory	(340)	(145)
Deferred income	710	53
Prepaid expenses	(533)	323
Deposits payable	34,800	(2,500)
	56,599	(21,387)
Net change in cash from operating activities	256,066	104,933
Capital activity		
Purchase of tangible capital assets	(31,526)	(58,675)
Cash flow used by capital activity	(31,526)	(58,675)
Increase in cash and investments	224,540	46,258
Cash and investments - beginning of year	572,932	526,674
Cash and investments - end of year	\$ 797,472	\$ 572,932

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements
Year Ended December 31, 2017

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. 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.

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 751 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 improvement district.

(continues)

KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements
Year Ended December 31, 2017

2. Significant accounting policies (continued)

Measurement uncertainty

The preparation of financial statements in conformity with PSAB requires the Board to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. 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;

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.

Tangible capital assets

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

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 system	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.

KALEDEN IRRIGATION DISTRICT

Notes to Financial Statements
Year Ended December 31, 2017

3. Cash and investments

	2017	2016
Cash	\$ 597,210	\$ 373,468
Term deposit - Plant Fund	134,678	134,141
Term deposit - Renewal Reserve Fund	31,079	30,956
Term deposit - Capital Levy Fund	20,720	20,637
Term deposit - Cemetery Fund	8,288	8,255
Term deposit - Operating Fund	5,497	5,475
	\$ 797,472	\$ 572,932

Investments consist of three GIC's with TD Canada Trust. GIC's are cashable and mature December 14, 2018 at 0.4%. Their use is internally restricted for use in their respective funds.

4. Accounts receivable

	2017	2016
Trade receivables	\$ 36,377	\$ 50,650
Goods and services tax rebate	7,120	8,653
Accrued interest	1,035	340
Other receivables	871	232
	\$ 45,403	\$ 59,875

5. Accounts payable and accrued liabilities

	2017	2016
Trade payable	\$ 14,939	\$ 8,953
Payroll liabilities	8,702	8,205
Credit cards	1,188	181
	\$ 24,829	\$ 17,339

6. Related party transactions

Each Board member of the District receives compensation for acting in their capacity as Trustees. During 2017, a total of \$6,164 (2016 - \$6,164) in compensation was paid to the Trustees.

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, 2017

	Budget (Unaudited) 2017	Operating Fund	Plant Fund	Cemetery Fund	Renewal Reserve Fund	Capital Levy Fund	Capital Asset Fund	2017	2016
Revenue									
Domestic taxes	\$ 276,575	\$ 302,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 302,550	\$ 286,737
Irrigation taxes and tolls	69,127	68,795	-	-	-	-	-	68,795	67,114
Capital levies	-	-	-	-	-	57,000	-	57,000	8,900
Extra tolls	28,736	29,708	-	-	-	-	-	29,708	27,899
Interest and penalties	-	9,655	-	-	-	-	-	9,655	10,102
Cemetery	-	3,925	-	560	-	-	-	4,485	3,170
Interest	800	1,932	932	44	1,040	328	-	4,276	2,326
Connections and upgrades	-	1,620	-	-	-	-	-	1,620	1,000
Search and subdivision	-	420	-	-	-	-	-	420	954
Recoveries	-	300	-	-	-	-	-	300	486
	375,238	418,905	932	604	1,040	57,328	-	478,809	408,688
Operating expenses									
Amortization	-	-	-	-	-	-	44,499	44,499	43,935
Automotive	1,700	562	-	-	-	-	-	562	986
Cemetery	-	863	-	-	-	-	-	863	1,066
Chlorine	5,000	3,417	-	-	-	-	-	3,417	3,141
Engineering and consulting	-	8,874	-	-	-	-	-	8,874	-
Insurance	20,300	20,208	-	-	-	-	-	20,208	20,052
Loss on disposal of tangible capital assets	-	-	-	-	-	-	982	982	23,141
Power	71,400	65,810	-	-	-	-	-	65,810	62,744
Repairs and maintenance	45,800	19,970	-	-	-	-	-	19,970	23,991
Salaries - manager	32,600	34,582	-	-	-	-	-	34,582	31,212
Salaries - superintendent	49,900	49,567	-	-	-	-	-	49,567	59,007
Small tools and supplies	500	78	-	-	-	-	-	78	422
Wages - emergency relief	22,200	8,596	-	-	-	-	-	8,596	9,037
Water Quality/Conservation Program	500	-	-	-	-	-	-	-	590
Total operating expenses	249,900	212,527	-	-	-	-	45,481	258,008	279,324

(continues)

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Schedule of Operations By Fund and Object (continued)

(Schedule 1)

Year Ended December 31, 2017

	Budget (Unaudited) 2017	Operating Fund	Plant Fund	Cemetery Fund	Renewal Reserve Fund	Capital Levy Fund	Capital Asset Fund	2017	2016
Administrative expenses									
Advertising	1,100	485	-	-	-	-	-	485	968
Bank charges	300	212	-	-	-	-	-	212	180
Employee benefits	19,200	18,154	-	-	-	-	-	18,154	19,564
Licenses and dues	1,350	1,540	-	-	-	-	-	1,540	1,949
Office and postage	3,500	4,318	-	-	-	-	-	4,318	3,980
Professional fees	5,300	6,430	-	-	-	-	-	6,430	5,380
Salaries - secretary	26,500	26,081	-	-	-	-	-	26,081	25,891
Seminars	2,500	725	-	-	-	-	-	725	2,738
Telephone and internet	3,000	2,706	-	-	-	-	-	2,706	3,306
Trustee remuneration	6,164	6,164	-	-	-	-	-	6,164	6,164
Total administrative expenses	68,914	66,815	-	-	-	-	-	66,815	70,120
Annual surplus (deficit)	56,424	139,563	932	604	1,040	57,328	(45,481)	153,986	59,244
Accumulated surplus - beginning of year	\$ 1,674,013	175,572	192,909	9,923	168,894	55,088	1,071,627	1,674,013	1,614,769
Acquisition of tangible capital assets	-	(31,526)	-	-	-	-	31,526	-	-
Interfund transfers	-	(97,478)	39,000	-	58,478	-	-	-	-
Accumulated surplus - end of year	\$ 1,730,437	\$ 186,131	\$ 232,841	\$ 10,527	\$ 228,412	\$ 112,416	\$ 1,057,672	\$ 1,827,999	\$ 1,674,013

See accompanying notes to financial statements.

KALEDEN IRRIGATION DISTRICT

Schedule of Tangible Capital Assets
Year Ended December 31, 2017

(Schedule 2)

	Land	Buildings	Tools equipment	Office equipment	Automotive	Water systems	Pump equipment	2017	2016
Cost									
Opening balance	\$ 5,650	\$ 66,007	\$ 12,317	\$ 10,675	\$ 18,642	\$ 1,908,800	\$ 60,022	\$ 2,082,113	\$ 2,067,203
Add: additions	-	8,250	3,493	-	-	12,112	7,671	31,526	58,675
Less: disposals	-	-	-	-	-	(5,166)	-	(5,166)	(43,765)
	5,650	74,257	15,810	10,675	18,642	1,915,746	67,693	2,108,473	2,082,113
Accumulated amortization									
Opening balance	-	27,441	9,830	10,675	1,864	958,879	1,797	1,010,486	987,175
Add: Amortization	-	1,402	467	-	1,243	38,194	3,193	44,499	43,935
Less: effects of disposals	-	-	-	-	-	(4,184)	-	(4,184)	(20,624)
	-	28,843	10,297	10,675	3,107	992,889	4,990	1,050,801	1,010,486
Net book value - December 31, 2017	\$ 5,650	\$ 45,414	\$ 5,513	\$ -	\$ 15,535	\$ 922,857	\$ 62,703	\$ 1,057,672	
Net book value - December 31, 2016	\$ 5,650	\$ 38,566	\$ 2,487	\$ -	\$ 16,778	\$ 949,921	\$ 58,225		\$ 1,071,627

See accompanying notes to financial statements.